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No. 091067

IN THE
Supreme Court of the United States

LAURIE D. MCFADIN, D/B/A TWO BAR WEST; STACY L. MCFADIN, D/B/A TWO BAR WEST

v.

LYNN GERBER, D/B/A FOXY ROXY'S, D/B/A ETERNAL PERSPECTIVE HANDBAGS; WILLIAM GERBER, II, D/B/A FOXY ROXY'S, D/B/A ETERNAL PERSPECTIVE HANDBAGS; CONNIE GRENEMYER

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

PETITION FOR WRIT OF CERTIORARI

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QUESTIONS PRESENTED

1. Whether the *Calder* "effects" test requires tortious conduct to be aimed specifically at the forum state as opposed to at a known forum resident to establish personal jurisdiction under the Due Process Clause of the Fourteenth Amendment.

2. Whether *Burger King* allows a court to ignore extensive and systematic electronic communications and transactions related to the performance of the contract at issue to establish personal jurisdiction under the Due Process Clause of the Fourteenth Amendment.

3. Whether parties are entitled to conduct limited jurisdictional discovery prior to an adverse ruling on a motion to dismiss for lack of personal jurisdiction under the Due Process Clause of the Fourteenth Amendment.

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OPINIONS BELOW

The December 3, 2009 order of the Fifth Circuit (App. 56a) which denied petitioners request for rehearing en banc is unreported. The November 9, 2009 opinion of the Fifth Circuit (App. 1a) is reported at 587 F.3d 753. The January 26, 2009 order of the district court (App. 20a) which accepted the report and recommendation of the magistrate judge is unreported. The November 6, 2008 report and recommendation of the magistrate judge (App. 26a) is unreported.

JURISDICTION

This Court's jurisdiction is invoked under 28 U.S.C. § 1254(1).

The Fifth Circuit's opinion was rendered on November 9, 2009. The Request for Rehearing En Banc was denied on December 3, 2009.

RELEVANT PROVISIONS INVOLVED

U.S. CONST. amend. XIV, § 1.

> All persons born or naturalized in the United States, and subject to the jurisdiction thereof, are citizens of the United States and of the State wherein they reside. No State shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any State deprive any person of life, liberty, or property, without due process of law; nor deny any person within its jurisdiction the equal protection of the laws.

STATEMENT

Petitioners, Laurie and Stacy McFadin, own and operate a small family business in Hondo, Texas under the trade name Two Bar West. The McFadin sisters primarily design and manufacture western-style handmade handbags under their various trademarks and copyrights which are well recognized by their customers. (App. 2a)

In 1998, Respondent, Colorado-based Connie Grenemyer, entered into an agreement with the Texas-based Petitioners to act as their national commissioned sales agent. The parties operated continuously under the agreement until 2008. Pursuant to the agreement, Grenemyer marketed and sold Petitioners' handbags to retail stores and chains throughout the United States and received commissions on her sales. Grenemyer made wholesale sales of the McFadin sisters' products in the United States totaling over $1,000,000.00. Of those sales, over $40,000.00 were wholesale orders directly to Texas retail stores. Grenemyer's direct sales to Texas constituted four percent of her total sales. (App. 3a)

Texas was central to all of the dealings between the McFadin sisters and Grenemyer. For ten years Grenemyer regularly took wholesale orders for Petitioners' products from buyers across the country including many for Texas retail stores; Grenemyer faxed those orders to the McFadins in Texas; the McFadins shipped merchandise ordered through Grenemyer from Texas to retailers throughout the country and accepted payments in Texas. Once payments for Grenemyer's orders were received in

Texas, the McFadins would mail her commission checks from Texas. This process between the McFadins, Grenemyer, and Two Bar West customers was ongoing and continuous throughout the ten-year agreement. (App. 8a-9a)

Additionally, the McFadins sent over $80,000.00 of their handbag samples from Texas to Colorado for display in Grenemyer's showroom at the wholesale Denver Merchandise Mart. The Denver Merchandise Mart is the largest western-style clothing and accessories market in the United States. Grenemyer breached her contract with the McFadins and converted the bailed display samples, selling some and keeping the money. Furthermore, Grenemyer retained a collection agency that sent numerous demand letters to the McFadins for alleged unpaid commissions of over $75,000.00. The collection letters threatened suit in Texas. (App. at 3a-4a)

Grenemyer's relationship with the McFadins ended in January 2008 after a dispute. Thereafter, Grenemyer immediately announced that she was the new sales representative for Lynn and William Gerber d/b/a Eternal Perspective Handbags d/b/a Foxy Roxy's.[1] Grenemyer and the Gerbers immediately began competing with the McFadins by utilizing the McFadins' trademarks and copyrights to create and sell knock-offs of the McFadins' handbags. The infringing handbags are sold nationwide in direct competition with the McFadins. (App. at 2a, 5a)

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[1] The Gerbers were parties to action in the district court and the Fifth Circuit. However, the Fifth Circuit found personal jurisdiction in Texas as to the Gerber defendants and they did not appeal.

While the petitioners were denied jurisdictional discovery, their independent investigation revealed evidence that sales of the infringing handbags were intentionally made in Texas and elsewhere. Indeed, the infringing handbags were offered for sale in Texas, at the Dallas Market Center (DMC) as early as March 2008. (App. 5a-6a, 23a)

At the 2008 DMC, Grenemyer arranged for the Gerbers to pay part of a booth for Jason Brockman, another commissioned sales agent who had a long-term sub-agency relationship with Grenemyer. Mr. Brockman wrote at least six orders for the Gerbers' infringing handbags for Texas wholesale buyers. Mr. Brockman faxed the orders from the DMC show to Respondent Grenemyer who transmitted them to the Gerbers. Grenemyer received a 2% commission for Brockman's sales of infringing purses in Texas at the DMC show. (App. 5a-6a)

Grenemyer likely had additional Texas contacts with and sales to Texas which she did not disclose and which would only have been obtainable through discovery. For example, Grenemyer likely made wholesale sales to businesses headquartered in another state which have stores in Texas. Petitioners request for limited jurisdictional discovery was denied. (App. 23a)

The McFadins brought suit against Grenemyer and the Gerbers in the Western District of Texas, San Antonio Division, asserting claims against Grenemyer based in contract and tort and claims against the Gerbers based in tort. Jurisdiction was proper in the District Court pursuant to 28 U.S.C. §1331 because the

action arose under the laws of the United States and pendant jurisdiction pursuant to 28 U.S.C. § 1367. The case was assigned to Judge Fred Biery who referred the case to Magistrate Judge Nancy Stein Nowak for pretrial proceedings.

Grenemyer and the Gerbers filed motions to dismiss and the McFadins responded. Despite finding that Grenemyer had "*minimum contacts*" with Texas, the Magistrate entered a Report and Recommendation dismissing the case for lack of personal jurisdiction based on Constitutional unfairness. The McFadins timely filed written objections to the Report and Recommendation. Nevertheless, Judge Biery accepted the Report and Recommendation. (App. 20a, 31a)

The McFadins filed a timely appeal to the United States Court of Appeals for the Fifth Circuit. Jurisdiction for the appeal was proper in the Fifth Circuit pursuant to 28 U.S.C. § 1291 because it was an appeal from a final decision disposing of all parties' claims in the District Court of the United States in the Western District of Texas. The appeal was timely because the District Court entered its final order on January 26, 2009. The McFadins filed a Notice of Appeal on January 26, 2009 and the appeal was filed on March 31, 2009.

Oral arguments were held on October 5, 2009. The Fifth Circuit rendered its opinion which affirmed the District Court's ruling as to Grenemyer and reversed it as to the Gerbers on November 9, 2009. The McFadins filed their Petition for Rehearing *en banc* on November 20, 2009. On December 3, 2009, the Fifth Circuit elected to treat the Petition for Rehearing *en*

banc as a Petition for Panel Rehearing and denied the McFadins their requested relief. (App. 1a, 56a)

REASONS FOR GRANTING PETITION

Due process guarantees United States citizens that they will be treated with "fundamental fairness."[2] Ostensibly, personal jurisdiction jurisprudence stems from this right.[3] However, after over two decades with little guidance from the Supreme Court, the circuit and district courts are floundering and awry in their failed attempts to create and apply consistent personal jurisdiction standards.

Rather than ensure "fundamental fairness" for defendants, current personal jurisdiction jurisprudence creates *fundamental unfairness* for plaintiffs. In many cases, plaintiffs must choose between incurring the considerable expense of pursuing a defendant in the defendant's home state or engaging in a costly and uncertain personal jurisdiction battle if the plaintiff brings a lawsuit in the plaintiff's home state.

Inconsistencies among circuit courts are also to blame for this fundamental unfairness. Had the instant case come before the Seventh or Ninth Circuit Courts of Appeal, a different result would most likely have been reached.[4] Indeed, different reasoning and

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[2] *See Clark v. Arizona*, 548 U.S. 735, 771 (2006)("fundamental fairness); *Halbert v. Michigan*, 545 U.S. 605, 611 (2005) ("essential fairness"); *Troxel v. Granville*, 530 U.S. 57, 65 (2000).

[3] *Ins. Corp. of Ir. v. Compagnie des Bauxite de Guinee*, 456 U.S. 694, 703 n.10 (1982)(stating that "[the Due Process] Clause is the only source of the personal jurisdiction requirement").

[4] *See, e.g., Indianapolis Colts, Inc. v. Nat'l Football League Properties, Inc.*, 34 F.3d 412 (7th Cir. 1994)("by choosing a name

standards may have been used in any other circuit. This does not mean that the circuit courts have all gone rogue, they have just reached different conclusions about the meaning and application of Supreme Court personal jurisdiction precedent.

This case represents an opportunity for the Supreme Court to clarify personal jurisdiction jurisprudence in light of the circuit split and to address the substantial changes in telecommunications since the Supreme Court last issued a ruling in this area. Such a decision would dramatically increase the fairness and decrease the cost of litigation between diverse parties by creating predictability in personal jurisdiction standards.

1. Background.

Personal jurisdiction stems from the Due Process Clause of the Fourteenth Amendment.[5] The Fourteenth Amendment was one of three "reconstruction amendments" proposed and ratified shortly after the Civil War.[6] The primary purpose of the Fourteenth Amendment was to grant full and complete citizenship for African-Americans born in the

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that might be found to be confusingly similar to that of the [plaintiff], the defendants assumed the risk of injuring valuable property in [the forum]"); *Panavision Int'l, L.P. v. Toeppen*, 141 F.3d 1316 (9th Cir. 1998).

[5] *Ins. Corp. of Ir. V. Compagnie des Bauxite de Guinee*, 456 U.S. 694, 703 n.10 (1982)(stating that "[the Due Process] Clause is the only source of the personal jurisdiction requirement").

[6] An interesting and informative explanation of the history of the Fourteenth Amendment can be found at Garrett Epps, *Lecture: Second Founding: The Story of the Fourteenth Amendment*, 85 OR. L. REV. 895 (2006).

United States.[7] However, it also gave the federal government a supervisory role over certain of the laws and proceedings of state governments.[8]

a. Pennoyer v. Neff: *Recognizing the Requirement for Personal Jurisdiction.*

The requirement for personal jurisdiction was recognized as a consequence of the Due Process Clause within ten years of the Clause's July 9, 1868 ratification. In *Pennoyer v. Neff*,[9] the Supreme Court held that "proceedings in a court of justice to determine the personal rights and obligations of parties over whom that court has no jurisdiction do not constitute due process of law."[10] To have jurisdiction, the *Pennoyer* Court held, the state must have physical power over the person through his physical presence within the jurisdiction.[11]

While *Pennoyer*, never explicitly uses the phrase "personal jurisdiction," it is widely regarded as the first stepping stone from the Due Process Clause to modern personal jurisdiction.[12] Despite numerous cases expanding personal jurisdiction, *Pennoyer* has never been directly overruled—it still stands for the principal

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[7] *Id.*

[8] *See* Michael Kent Curtis, *"John A. Bingham and the Story of American Liberty: The Lost Cause Meets the "Lost Clause,"* 36 AKRON L. REV. 617 (2003).

[9] 95 U.S. 714 (1878).

[10] *Id.* at 733.

[11] *Id.*

[12] *See* Robert J. Condlin, *"Defendant Veto" or "Totality of the Circumstances"? It's Time for the Supreme Court to Straighten out the Personal Jurisdiction Standard Once Again*, 54 CATH. U.L. REV. 53, 56-57 (2004).

that personal jurisdiction is proper in any state where a person has been physically served with process.

b. International Shoe: *The Backbone of Modern Personal Jurisdiction.*

It was not until 1945 and the case of *International Shoe Co. v. Washington*,[13] that the Supreme Court began developing a personal jurisdiction regime which would govern situations where there were contacts between a defendant and the forum but not physical presence. Today, *International Shoe* remains the backbone for all personal jurisdiction cases.

International Shoe involved a Delaware corporation with a principal place of business in Missouri that was sued in Washington State over unpaid contributions to the Washington unemployment compensation fund.[14] While the International Shoe did not have an office or inventory in Washington, it did employ eleven to thirteen salesmen who lived and worked exclusively in Washington.[15] The salesmen were employees who did not have authority to bind the company but who initiated many sales in Washington and were paid wages for their work in Washington.[16]

In holding that jurisdiction was proper over International Shoe, the Supreme Court stated that "due process requires only that in order to subject a defendant to a judgment *in personam* . . . he have certain minimum contacts with [the forum] such that

[13] 326 U.S. 310 (1945).
[14] *Id.* at 311.
[15] *Id.* at 313.
[16] *Id.* at 314.

the maintenance of the suit does not offend 'traditional notions of fair play and substantial justice.'"[17] In so holding, the Court coined many of the buzzwords that would buttress future personal jurisdiction precedent in form if not in substance. Jurisdiction is proper, the Court explained, where a defendant has "such contacts . . . with the state of the forum as to make it reasonable, in the context of our federal system of government, to require the corporation to defend the particular suit which is brought there."[18]

The Court also provided concrete examples of situations which would and would not satisfy due process. On one extreme, where a defendant's "continuous and systematic" forum contacts "give rise to the liabilities sued on," personal jurisdiction exists.[19] Conversely, "casual presence" and "single or isolated items of activity in the state . . . . are not enough to subject [a defendant] to suit on causes of action unconnected with the activities there."[20]

After providing these examples, the Court established a uniform approach for challenges of personal jurisdiction. Explaining that the test could not be a mere "mechanical or quantitative" question of whether forum activity is a "little more or a little less," the court stated that "[w]hether due process is satisfied must depend . . . upon the quality and nature of the activity in relation to the fair and orderly administration of the laws which it was the purpose of the due process clause to insure."[21]

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[17] *Id.* at 316 (quoting *Milliken v. Meyer*, 311 U.S. 457, 463 (1940).

[18] *Id.* at 317.

[19] *Id.*

[20] *Id.*

[21] *Id.* at 319.

International Shoe opened the courthouse doors for many plaintiffs and with them it brought significant confusion. *International Shoe* represents the first step into what has become one of the most uncertain areas of law. By providing that there is no "mechanical or quantitative" test, the Supreme Court created a fact dependant inquiry which has led to significant discrepancies among the circuit and district courts. Every ten to twenty years, it seems, the Supreme Court issues another opinion which temporarily clears the confusion among circuit courts but inevitably creates different types of uncertainty which in turn must be addressed.[22]

Since *International Shoe*, the Court has issued several personal jurisdiction opinions.[23] Like points on a road map, each subsequent opinion introduces new twists and turns, but hopefully helps travelers reach the correct destination. Along the way, most courts have divided personal jurisdiction inquiries into two categories: jurisdiction for tort claims and jurisdiction for contract claims.[24] Accordingly, different claims, even in the same case, are analyzed under different standards. The instant case raises the question of personal jurisdiction as to both tort and contract claims. The principal cases which the issues in this petition

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[22] *See* Robert J. Condlin, *"Defendant Veto" or "Totality of the Circumstances"? It's Time for the Supreme Court to Straighten out the Personal Jurisdiction Standard Once Again*, 54 CATH. U.L. REV. 53, 56-57 (2004).

[23] *Id.*

[24] *See, e.g., McFadin v. Gerber*, 587 F.3d 753 (5th Cir. 2009)(App. 1a)(analyzing tort and contract claims separately).

stem from are *Calder v. Jones*[25] and *Burger King v. Rudzewicz*[26] which are discussed in the sections below.

2. A circuit split exists as to the meaning and application of the *Calder* "effects" test.

a. Calder v. Jones: *The Beginning of the "Effects" Test.*

Decided almost forty-years after *International Shoe*, *Calder* has made its name as one of the most controversial personal jurisdiction opinions ever decided.[27] *Calder* set forth an "effects" test applicable to multi-state torts where different elements of a tort claim occur in different states.[28] Per the "effects" test, when one party reaches out to another jurisdiction and causes harm there, they are subject to suit in that forum for the harmful effects of their actions.[29] Application of this principal has not been straightforward. Questions abound regarding what type of effects are necessary, where the harm needs to be aimed, and the level of intent required of the tortfeasor before jurisdiction can be imposed.

Calder involved a claim by California actress, Shirley Jones,[30] against Florida defendants who wrote

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[25] 465 U.S. 783 (1984).

[26] 471 U.S. 462 (1985).

[27] *See* Robert J. Condlin, *"Defendant Veto" or "Totality of the Circumstances"? It's Time for the Supreme Court to Straighten out the Personal Jurisdiction Standard Once Again*, 54 CATH. U.L. REV. 53, 56-57 (2004).

[28] *Calder*, 471 U.S. at 789.

[29] *Id.*

[30] *Id.* at 784. Shirley Jones is best known for her role as Shirley Partridge on the Partridge Family sitcom in the 1970s.

and edited an allegedly libelous article about Jones.[31] At the time the article was written and published, Jones was a California resident.[32] Defendants were both Florida residents who lived and worked in Florida.[33] The credited author of the challenged article researched the article in Florida by making phone calls to California sources.[34] Calder was the president and editor of the magazine.[35] He reviewed and edited the final copy of the article and declined to print a retraction when requested.[36] The defendants argued that they had no control over the circulation of the magazine and no direct economic stake in its sales.[37]

The primary issue in *Calder* was whether jurisdiction was proper over the Florida defendants for their tort which was directed at known California resident, Jones.[38] Looking to "'the relationship among the defendant, the forum, and the litigation,'" [39] the court noted that the defendants were "not charged with mere untargeted negligence."[40] Accordingly, the Court held that "[a]n individual injured in California need not go to Florida to seek redress from persons who, though remaining in Florida, knowingly cause the injury in California."[41]

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[31] *Id.* at 785-86. Jones also brought suit against the publisher and the distributor – neither of whom contested jurisdiction. *Id.* at 785.
[32] *Id.*
[33] *Id* at 785-86.
[34] *Id.*
[35] *Id.* at 786.
[36] *Id.*
[37] *Id.* at 789.
[38] *Id.* at 788-89.
[39] *Id.* at 788 (quoting *Shaffer v. Heitner*, 433 U.S. 186, 204 (1977).
[40] *Id.* at 789.
[41] *Id.* at 790.

In their analysis, the Court noted that "the plaintiff [was] the focus of the activities of the defendants out of which the suit ar[ose]."[42] The story "concerned the California activities of a California resident," and "impugned the professionalism of an entertainer whose television career was centered in California."[43] These actions caused the brunt of the harm to be felt in California.[44] Accordingly, jurisdiction was proper "based on the 'effects' of the[] Florida conduct in California."[45]

b. How Far does the Calder *"Effects" Test Extend?*

Since the ruling in *Calder*, courts have puzzled at how far the *Calder* "effects" test extends.[46] Does the harm have to be aimed at the forum itself, or simply at a known forum resident?[47] What does it mean to "expressly aim" tortious actions at a forum? How much harm is required for the "brunt of the injury" to be felt in the forum?

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[42] *Id.* at 788.

[43] *Id.*

[44] *Id.* at 788-89.

[45] *Id.* at 789.

[46] *See United States v. Swiss Am. Bank, Ltd.*, 274 F.3d 610, 624 n.7 (1st Cir. 2001)(noting that "several circuits do not appear to agree as to how to read Calder"); *Imo Indus., Inc. v. Kiekert AG*, 155 F.3d 254, 261-264 (3d Cir. 1998)(providing a fairly extensive review of the split amongst the circuits regarding *Calder*).

[47] *See, e.g., Brayton Purcell LLP v. Recordon & Recordon*, 575 F.3d 981, 986 (9th Cir. 2009)(quoting *Bancroft & Masters, Inc. v. Augusta Nat'l Inc.*, 223 F.3d 1082, 1087(9th Cir. 2000))("'Express aiming is a concept that in the jurisdictional context hardly defines itself").

The instant case is the perfect vehicle to address this circuit split because affirmative answers to the above questions would lead to different outcomes. Petitioners own and operate a Texas based business.[48] Respondent knows about Petitioners' business location because she served as their exclusive independent sales representative for ten years.[49] Respondent is accused of trademark infringement, copyright infringement, false designation of origin, trade dress infringement, palming off, theft of trade secrets, and other torts related to intellectual property. There can be no doubt that Respondent was aware that any harm and infringement directed toward Plaintiffs' business and directly felt by Petitioners would be felt in Texas. However, the Fifth Circuit held that because the "actions of selling allegedly infringing handbags [we]re not directed towards Texas in any manner," *Calder* analysis was not appropriate.[50] Had this same case been analyzed in the Seventh, Ninth, Tenth or Eleventh Circuit, a different result would have been reached.[51]

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[48] App. 2a.

[49] App. 3a.

[50] App. 10a-12a

[51] *See, e.g., Licciardello v. Lovelady*, 544 F.3d 1280 (11th Cir. 2008); *Dudnikov v. Sevenarts, Ltd.*, 514 F.3d 1063, 1071-80 (10th Cir. 2008); *Indianapolis Colts, Inc. v. Nat'l Football League Properties, Inc.*, 34 F.3d 412 (7th Cir. 1994)("by choosing a name that might be found to be confusingly similar to that of the [plaintiff], the defendants assumed the risk of injuring valuable property in [the forum]"); *Panavision Int'l, L.P. v. Toeppen*, 141 F.3d 1316 (9th Cir. 1998).

c. *Does* Calder *Require that the Harm Focus on the Plaintiff or on the Forum Itself?*

The *Calder* opinion noted both that "the plaintiff [was] the focus of the activities of the defendants out of which the suit arises"[52] and that "California was the focal point both of the story and of the harm suffered."[53] One of the splits among circuit courts interpreting *Calder* is whether at a minimum the harm needs to be aimed at the forum itself or simply at a known forum resident.

The Seventh Circuit opinion in *Janmark Inc. v. Reidy*[54] represents a more expansive reading of *Calder*.[55] *Janmark* held that "there can be no serious doubt after *Calder*, that the state in which the victim of a tort suffers the injury may entertain a suit against the accused tortfeasor."[56] Like the instant case, *Janmark* involved intellectual property issues.[57] Illinois-based Janmark and defendant, California-based Dreamkeeper both sold mini shopping carts throughout the United States.[58] Dreamkeeper claimed a copyright for its shopping cart design and began threatening Janmark customers with lawsuits for contributory copyright infringement.[59] One such threat was aimed at a New Jersey company who was so concerned they cancelled their orders with Janmark.[60]

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[52] *Calder*, 465 U.S. at 788.
[53] *Id.* at 789.
[54] 132 F.3d 1200 (7th Cir. 1997).
[55] *See generally id.*
[56] *Id.* at 1202.
[57] *Id.* at 1201.
[58] *Id.* at 1202.
[59] *Id.*
[60] *Id.*

As a result of Dreamkeeper's interference with its sales, Janmark brought suit in Illinois for declaratory judgment and unfair competition alleging that jurisdiction was proper because the tort was felt in Illinois.[61] While Judge Easterbrook noted that in some ways Janmark's position seemed "silly,"[62] the Court ultimately held that the "tort was not complete (because no injury occurred) until Janmark's customer cancelled the order; the injury and thus the tort occurred in Illinois."[63]

The Eleventh Circuit reached a similar conclusion in *Licciardello v. Lovelady*,[64] where the court considered whether personal jurisdiction was proper for a claim of trademark infringement over the Internet.[65] In finding personal jurisdiction proper, the Court relied on the fact that the use of the trademark was intentional and "expressly aimed at a specific individual in the forum whose effects were suffered in the forum."[66] The plaintiff-centered approach to the focus of the harm inquiry is also expressly followed in the Ninth,[67] and Tenth Circuits.[68]

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[61] *Id.*

[62] *Id.* ("From one perspective this is a silly position. How can Reidy's phone call from California to New Jersey be a tort 'within' Illinois?").

[63] *Id.*

[64] 544 F.3d 1280 (11th Cir. 2008).

[65] *Id.* at 1282.

[66] *Id.* at 1288.

[67] *Brayton Purcell LLP v. Recordon & Recordon*, 575 F.3d 981, 986 (9th Cir. 2009)(quoting *Bancroft*, 223 F.3d at 1087)("This much . . . is clear: 'the [express aiming] requirement is satisfied when the defendant is alleged to have engaged in wrongful conduct targeted at a plaintiff whom the defendant knows to be a resident of the forum state.")(brackets in original).

The Fifth Circuit's holding represents the opposed reading of the forum-aiming requirement. In the instant case, the Fifth Circuit held that because the intentional harm was not aimed at the state of Texas itself, the Calder effects test did not apply. This holding is in line with the Fifth Circuit view as expressed in *Revell v. Lidov*,[69] requiring the tort to have a geographic focus in the forum state.[70]

The principal case representing the forum-focused position is *Imo Industries, Inc. v. Kiekert AG*.[71] *Imo* involved a suit brought by a New Jersey corporation against a German corporation alleging tortious interference.[72] After reviewing the precedent

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[69] *Dudnikov v. Sevenarts, Ltd.*, 514 F.3d 1063, 1071-80 (10th Cir. 2008). The *Dudnikov* Court held that a letter sent to EBay in California which led to the cancellation of the plaintiffs' auction in Colorado was sufficient to confer personal jurisdiction because the "[d]efendants' express aim in acting was to halt a Colorado-based sale by a Colorado resident, and neither the lack of defendants'" *physical presence in Colorado nor* the fact that they used a California-based entity to effectuate this purpose diminish this fact." *Id.* at 1076. While *Dudnikov*, did state that the forum needed to be the "focal point of the tort" it found that actions against the plaintiff in that state sufficed as the "focal point." For that reason, the Tenth Circuit is included on the side of a Plaintiff-centered rather than a state-centered approach to this question.

[70] 317 F.3d 467, 476 (5th Cir. 2002).

[70] *Id.* (requiring the allegedly libelous statement to be about the Texas acts of the plaintiff in order for jurisdiction to be proper). *See also, Southmark Corp. v. Life Investors Inc.*, 851 F.2d 763, 773 (5th Cir. 1988) (Despite "knowing that Southmark had its principal place of business in Texas, and that Southmark is therefore a Texas resident for jurisdictional purposes, we do not think this fact standing alone would cause USLICO to anticipate being haled into a Texas court to answer for its conduct.").

[71] 155 F.3d 254 (3d Cir. 1998).

[72] *Id.* at 256.

of various circuits and recognizing the circuit split, *Imo* determined that a forum-directed action was required for the *Calder* "effects" test to apply.[73] *Imo* held that "[s]imply asserting that the defendant knew that the plaintiff's principal place of business was located in the forum would be insufficient in itself to meet [the focal point] requirement."[74] Instead, "[t]he defendant must 'manifest behavior intentionally targeted at and focused on' the forum."[75] In so holding, *Imo* established a three-part rubric for analyzing *Calder* "effects" test claims:

> 1) The defendant committed an intentional tort;
> 2) The plaintiff felt the brunt of the harm in the forum such that the forum can be said to be the focal point of the harm suffered by the plaintiff as a result of that tort;
> 3) The defendant expressly aimed his tortious conduct at the forum such that the forum can be said to be the focal point of the tortious activity.[76]

The *Imo* approach has been followed by the First,[77] Fourth[78] and Sixth[79] Circuits. Some state courts have also adopted a geographical targeting test.[80]

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[73] *Id.* at 260-65.

[74] *Id.* at 265.

[75] *Id.* (quoting *Esab Group, Inc. v. Centricut, Inc.*, 126 F.3d 617, 625 (4th Cir. 1997).

[76] *Id.* at 265-66.

[77] *Swiss Am. Bank, Ltd.*, 274 F.3d at 624.

[78] *Carefirst of Maryland, Inc. v. Carefirst Pregnancy Centers, Inc.*, 334 F.3d 390, 398 n.7 (4th Cir. 2003).

[79] *Reynolds v. Int'l Amateur Atheletic Fed'n*, 23 F.3d 1110, 1120 (6th Cir. 1994).

[80] *See Also, Griffis v. Luban*, 646 N.W.2d 527, 535 n.3 (Minn. 2002); *Pavlovich v. Superior Court*, 58 P.3d 2, 8-10, 8 n.1 (Cal. 2002).

This issue is not only ripe for review; it represents an important constitutional issue. The restrictive forum-focused rubric is contrary not only to *Calder*, but also to the Due Process clause itself. The state-focused nature of the *Imo* test implies that the state itself must be offended before it can demand jurisdiction. However, this is contrary to the individual nature of the Due Process right as explained in *Insurance Corp. of Ireland*.[81] Focusing on the defendant's offense to the *forum* rather than to the forum resident improperly expands the individual nature of personal jurisdiction claims. Thus, based both on the important constitutional issue and the well documented circuit split, this issue is ripe for Supreme Court review.

d. *What is Express Aiming?*

Another uncertainty among the lower courts is the precise meaning of "expressly aiming"? The *Calder* Court found persuasive the fact that defendants had "expressly aimed [the tortious actions] at California."[82] However, there is no consensus as to the meaning of this requirement. Many courts tackling the issue travel a circuitous route defining "expressly aiming" as "targeting" and then in turn defining targeting as "expressly aiming."[83] As recognized by the Tenth Circuit in *Dudnikov*, "there is some overlap between [the 'focal point'] test and *Calder*'s additional requirement . . . . that a defendant must know that the

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[81] *Ins. Corp. of Ir. v. Compagnie des Bauxite de Guinee*, 456 U.S. 694, 703 n.10 (1982)(stating that "[the Due Process] Clause is the only source of the personal jurisdiction requirement").

[82] *Calder*, 465 U.S. at 789.

[83] *See, e.g., Griffis*, 646 N.W.2d at 533-34.

'harm . . . was suffered' in the forum state."[84] This issue of overlap and conflicting definitions has caused courts to blur the issues and reach confusing and conflicting results.[85] Accordingly, in addition to the circuit split regarding the "focus" of the harm, courts applying *Calder* would benefit from a more clearly defined standard for determining whether or not there is "express aiming" or "targeting." Because of *Calder's* distinct applicability to the instant case, this represents an opportunity for the Supreme Court to address this issue.

e. *How Much Harm Constitutes the "Brunt" of the Injury?*

Another important constitutional issue which is disputed among the circuits is what is meant by *Calder's* reference to the "brunt of the harm." According to the Ninth Circuit, the Supreme Court did not intend to *require* courts applying *Calder* to find that the brunt of the harm was suffered in the forum state.[86] Instead, only "a jurisdictionally sufficient amount of harm" needs to be "suffered in the forum state, it does not matter that even more harm might have been suffered in another state."[87]

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[84] *Dudnikov*, 514 F.3d at 1074-75.

[85] *See Dakota Indus., Inc. v. Dakota Sportswear, Inc.*, 946 F.2d 1384, 1391 (8th Cir. 1991)(blurring the "brunt of the harm" inquiry with the "express aiming" inquiry).

[86] *Yahoo! Inc. v. La Ligue Contre le Racisme et L'Antisemitisme*, 433 F.3d 1199, 1207 (9th Cir. 2006).

[87] *Id.*

Calder did not establish a set of elements which must be found in every "effects" test case.[88] Instead, it resolved the case at hand on its specific facts and left it for lower courts to determine when and if the "effects" test should apply.[89] As demonstrated above, this has led to contradictory applications throughout the lower courts. This is also true for the "brunt of the harm" standard. Contrary to the Ninth Circuit's holding, most other circuit courts require the brunt of the harm to be felt in the forum state.[90]

It has been over twenty-five years since *Calder* was decided. The "effects" test has had sufficient time to develop among the lower courts. At this point, it is apparent that a consensus will never be reached and personal jurisdiction holdings are inconsistent and arbitrary. Accordingly, Supreme Court review is appropriate.

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[88] *Core-Vent Corp v. Nobel Indus. AB*, 11 F.3d 1482, 1486 (9th Cir. 1993)("*Calder* did not purport to make . . . an exclusive list of the circumstances under which the new 'effects test' could be applied . . . .").

[89] *See generally Calder*, 46 U.S. 783.

[90] *Dudnikow*, 514 F.3d 1063, 1077 (referring to the "brunt or bulk of [the] harm"); *Revell*, 317 F.3d 467, 475 ("Knowledge of the particular forum in which a potential plaintiff will bear the brunt of the harm forms an essential part of the *Calder* test."); *Imo*, 155 F.3d 265 (requiring the plaintiff to feel "the brunt of the harm in the forum such that the forum can be said to be the focal point of the harm suffered by the plaintiff as a result of that tort").

3. There is a need to resolve other circuit splits and important constitutional issues relevant to personal jurisdiction.

a. Burger King v. Rudzewicz: *When does a Contract Confer Jurisdiction?*

The standards for personal jurisdiction are treated differently depending on whether the underlying claims are based in tort or contract.[91] The leading case for contract-based personal jurisdiction claims is *Burger King v. Rudzewicz*.[92] In *Burger King*, the Court considered a suit brought in Florida by Florida-based Burger King Corporation against former franchisee, John Rudzewicz, a Michigan citizen.[93] Despite a terminated franchise agreement, Rudzewicz continued to operate an unauthorized Burger King franchise and use the Burger King trademark.[94]

Rudzewicz's relationship with Burger King began when he placed a franchise application with Burger King's Michigan district office in 1978.[95] The application was forwarded to the Miami office of Burger King and a preliminary agreement was reached in 1979.[96] It was determined that Rudzewicz and his partner would take over an existing Michigan Burger King franchise[97]. Ultimately, a final agreement was

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[91] *See, e.g., McFadin v. Gerber*, 587 F.3d 753 (5th Cir. 2009)(App. 1a)(analyzing tort and contract claims separately).

[92] 471 U.S. 462 (1985).

[93] *Id.* at 464-66.

[94] *Id.* at 468.

[95] *Id.* at 466.

[96] *Id.* at 466.

[97] *Id.*

negotiated between Rudzewicz and Burger King's Florida office.[98]

When Rudzewicz and his partner fell behind in their monthly payments to Burger King in Miami, they began negotiations with Burger King Headquarters.[99] These negotiations were unsuccessful and Burger King terminated the franchise agreement.[100] Rather than hand over their keys, Rudzewicz and his partner continued operating the facility as a Burger King.[101]

Rudzewicz's refusal to vacate the franchise forced Burger King to file suit in Florida.[102] Rudzewicz contested jurisdiction alleging that "Burger King's claim did not 'arise' within the Southern District of Florida."[103] The lower courts split regarding whether or not jurisdiction existed and Burger King appealed to the Supreme Court.[104]

In finding that jurisdiction was appropriate over Rudzewicz, the Supreme Court held that "parties who 'reach out beyond one state and create continuing relationships and obligations with citizens of another state' are subject to regulation and sanctions in the other state for the consequences of their activities."[105] Stating that "the Due Process Clause may not readily be wielded as a territorial shield to avoid interstate

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[98] *Id.* at 467.
[99] *Id.* at 468.
[100] *Id.*
[101] *Id.*
[102] *Id.*
[103] *Id.* at 469.
[104] *Id.* at 469-71.
[105] *Id.* at 473 (quoting *Travelers Health Assn. v. Virginia*, 339 U.S. 643, 647 (1950)).

obligations that have been voluntarily assumed" the court held that "where individuals 'purposefully derive benefit' from their interstate activities it may well be unfair to allow them to escape having to account in other states for consequences that arise proximately from such activities."[106]

A motivating factor in the Court's *Burger King* holding was the fact that "'modern transportation and communications have made it much less burdensome for a party sued to defend himself in a State where he engages in economic activity."[107] Since 1985, when *Burger King* was decided, the convenience of interstate communication has increased dramatically while the cost has decreased. Now, rather than pay exorbitant long distance fees, most consumers can make long distance calls for free on their cell phones. And, rather than exchange contract drafts through the mail, people can exchange redlined versions through e-mail.

With such conveniences, it would seem that personal jurisdiction across state lines should be more often exercised than ever. With the power of the Internet, one person can conduct substantial business in every state of the union without ever leaving their home. However, most jurisdictions apply *Burger King* very narrowly. Reading more into the Court's statement that a contract alone cannot confer jurisdiction, the Fifth Circuit denied jurisdiction despite substantial and extended dealings between the

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[106] *Id.* at 473-74 (quoting *Kulko v. Superior Court*, 436 U.S. 84, 96 (1978)).

[107] *Id.* at 474 (quoting *McGee v. Int'l Life Ins. Co.*, 335 U.S. 220, 223 (1957).

parties.[108] This result does not comport with the broad holding of *Burger King*.

In the instant case, Grenemyer and the McFadin sisters had a ten-year ongoing contractual relationship.[109] Grenemyer acted as an exclusive commissioned sales representative for the McFadins.[110] In that role, she sent over $1,000,000 dollars in orders over ten years to the McFadins in Texas.[111] In turn, the McFadins sent Grenemyer commission checks from Texas over ten years after the orders were filled from Texas and paid for in Texas.[112] When the contract was terminated, both parties accused the other of breach of contract. However, rather than granting jurisdiction because Grenemyer had reached out beyond Colorado to create a continuing relationship with citizens of Texas, the Fifth Circuit denied jurisdiction.[113]

The Fifth Circuit specifically held that the "ten-year sales representation relationship between the parties," the "significant communications—including sales orders and commission payments—between Grenemyer in Colorado and the McFadins in Texas," and "the sales by Grenemyer to Texas residents" were insufficient contacts.[114] Instead, the Fifth Circuit arbitrarily determined that "communications relating to the performance of a contract themselves are insufficient to establish minimum contacts."[115] This

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[108] App. 8a-10a

[109] App. 3a

[110] *Id.*

[111] *Id.*

[112] *Id.* at 3a-4a.

[113] *Id.* at 10a-12a.

[114] *Id.* at 8a-9a.

[115] *Id.* at 9a.

holding is not supported by Supreme Court precedent and is an offense to the Due Process Clause and the personal jurisdiction standards set forth in *Burger King*. Moreover, in light of the "arise out of" requirement,[116] not considering contacts related to the contract performance makes it exceptionally difficult to ever establish jurisdiction for a breach of contract.

Given the increasing ease of interstate communication and business transactions, this case represents the need for the Supreme Court to reaffirm the broad standard set forth in *Burger King* for establishing personal jurisdiction in a situation where there is a continuing contractual relationship over state lines.

4. Where there is smoke, there is fire: Plaintiffs should be granted limited jurisdictional discovery prior to dismissal of their cases.

Despite briefing on the issue, both in the main appeal and in the petition for rehearing, the Fifth Circuit ignored Plaintiff's arguments in favor of limited jurisdictional discovery. However, the Supreme Court has held that "where issues arise as to jurisdiction or

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[116] It is unsettled whether contacts have to be proximally related to the cause of action or if a "but for" relationship will suffice. *See Helicopteros Nacionales de Columbia, S.A. v. Hall*, 466 U.S. 408, 415 n.10 (1984). The Fifth Circuit's decision to discount all contacts related to the performance of the contract would make it impossible to prove that the cause of action arose out of the contacts—at least in a proximal sense.

venue, discovery is available to ascertain the facts bearing on such issues."[117]

It was undisputed that Grenemyer was the exclusive sales agent for the Gerber defendants (over whom there was jurisdiction). The Gerber's agent, Brockman, sold bags in Texas and had an admitted long term business relationship with Grenemyer acting as her subagent. Plaintiffs were at least entitled to inquire as to the agency relationship between Grenemyer and Brockman and whether Grenemyer had made any additional sales of the Gerber's infringing goods into Texas.

Where the facts necessary to establish jurisdiction are not present on the face of the motion, the "district court must give the plaintiff an opportunity for discovery and for a hearing that is appropriate to the nature of the motion to dismiss."[118] Nevertheless, discovery is routinely denied and subject only to review for abuse of discretion.[119] The issue of jurisdictional discovery is an important constitutional issue relating to personal jurisdiction. Whether or not limited jurisdictional discovery is granted is often the key to the courthouse for many plaintiffs. Accordingly,

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[117] *Oppenheimer Fund, Inc. v. Sanders*, 437 U.S. 340, 351 n.13 (1978).

[118] *Williamson v. Tucker*, 645 F.2d 404, 414 (5th Cir. 1981); *see also Walk Haydel & Assoc., Inc. v. Coastal Power Prod. Co.*, 517 F.3d 235, 241 (5th Cir. 2008) ("When the defendant disputes the factual bases for jurisdiction . . . the court may receive interrogatories, depositions, or 'any combination of the recognized methods of discovery' to help it resolve the jurisdictional issue.")(*quoting Thompson v. Chrysler Motors Corp.*, 755 F.2d 1162, 1165 (5th Cir. 1985)).

[119] *Swiss Am. Bank, Ltd.*, 274 F.3d at 626.

this Court should grant review to consider this important constitutional issue.

CONCLUSION

After two decades of silence from the Supreme Court and two decades of technological advances to communication, the circuit courts are understandably misguided as to the proper meaning and limits of the Due Process Clause as it applies to personal jurisdiction. This case represents an opportunity to address many of the salient issues and splits in the lower courts with regard to personal jurisdiction. Accordingly, petitioners pray this Court grant certiorari and review the holding of the Fifth Circuit.

Respectfully submitted,

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No. 09-50083

UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

LAURIE D. MCFADIN, d/b/a Two Bar West; STACY L. MCFADIN, d/b/a Two Bar West, Plaintiffs - Appellants

v.

LYNN GERBER, d/b/a Foxy Roxy's, d/b/a Eternal Perspective Handbags; WILLIAM GERBER, II, d/b/a Foxy Roxy's, d/b/a Eternal Perspective Handbags; CONNIE GRENEMYER, Defendants - Appellees

November 9, 2009, Filed

Appeal from the United States District Court for the Western District of Texas.

COUNSEL: For LAURIE D MCFADIN, doing business as Two Bar West, STACY L MCFADIN, doing business as Two Bar West, Plaintiffs - Appellants: Charles W. Hanor, Hanor Lively & Cernyar, San Antonio, TX.

For LYNN GERBER, doing business as Foxy Roxy's, doing business as Eternal Perspective Handbags, WILLIAM GERBER, II, doing business as Foxy Roxy's, doing business as Eternal Perspective Handbags, Defendants - Appellees: Joseph Brent Garfield, J. Brent Garfield, P.L.L.C., Arvada, CO.

For CONNIE GRENEMYER, Defendant - Appellee: Clifford L. Beem, Clifford Beem & Associates PC, Denver, CO.

Before HIGGINBOTHAM and STEWART, Circuit Judges, and * ENGELHARDT, District Judge.

PATRICK E. HIGGINBOTHAM, Circuit Judge:

Today we examine a Texas court's personal jurisdiction over Colorado residents Connie Grenemyer and Lynn and William Gerber. We agree with the district court that there is no jurisdiction over Connie Grenemyer and disagree with the district court's finding of lack of jurisdiction over the Gerbers.

I

Laurie and Stacie McFadin filed suit in the Western District of Texas against Connie Grenemyer, Lynn Gerber, and William Gerber II claiming that Grenemyer breached a sales representative agreement and that both Grenemyer and the Gerbers sold knock-off versions of the McFadins' handbags. The district court dismissed the suit for want of personal jurisdiction.

The McFadins design and manufacture hand-made leather goods, such as handbags and luggage, under the mark Two Bar West, selling wholesale to brick-and-mortar retail stores. Two Bar West's principal place of business is located within the Western District of Texas, where the McFadins reside.

Connie Grenemyer is an independent sales representative who represents various designers and manufacturers in the Rocky Mountain region, which encompasses Arizona, Colorado, Idaho, Montana, New Mexico, Utah, and Wyoming. Grenemyer maintains a

showroom at the Denver Merchandise Mart where she displays her clients' merchandise. In addition, Grenemyer brings samples of the merchandise to various retail stores and wholesale markets and shows in her region. In her business she has never traveled to Texas nor does she maintain a website.

In either 1995 or 1996, Grenemyer entered into a sales representative relationship with Two Bar West after the company's former sales representative joined Grenemyer. In 1998, the McFadins approached Grenemyer at the Denver market to discuss a more formal representation, reaching a written agreement. They agreed that Grenemyer would be Two Bar West's primary, if not exclusive, sales representative and Two Bar West provided Grenemyer with samples for her showroom. Under the agreement, Grenemyer received a twelve-percent commission on all sales within the Rocky Mountain region and a six-percent commission on all sales outside that region. Grenemyer took orders from various retailers at her showroom at the Denver market and on her sales trips, faxing the orders to Two Bar West in Texas. Two Bar West then shipped the goods directly to the retailers. The retailers paid Two Bar West, which then mailed commission checks to Grenemeyer in Colorado. Over the course of the ten year period, Grenemyer took orders for over $ 1,000,000 of merchandise from her Denver show room and sales trips in the Rocky Mountain region. Grenemyer never took orders in Texas and only $ 40,000 of the orders were from Texas based retailers.

In January 2008, the McFadins traveled to Denver and terminated their agreement with Grenemyer. A dispute arose regarding commissions owed to Grenemyer, and

Grenemyer refused to return the Two Bar West sample merchandise until the dispute had been settled. The McFadins say that they do not owe Grenemyer additional commissions and that Grenemyer either wrongfully possesses or wrongfully sold around 650 pieces of merchandise.

II

In 2006, Two Bar West sold two handbags to Linda Gerber through Grenemyer. Gerber is the sole proprietor of Foxy Roxy's, which markets a line of women's western wear. Gerber maintains a website, foxyroxys.com, through which she markets her products. The website provides a telephone number and email address where potential customers may contact Gerber in Colorado, however the website does not provide a mechanism to place orders directly. In addition, Gerber attends shows where her products can be displayed. Gerber's only trip to Texas was not for business purposes.

Gerber purchased several more bags from Two Bar West for retail sale. By 2008, when the McFadins terminated Grenemyer, Two Bar West no longer sold Gerber its products. The McFadins allege that this cessation of business followed an email exchange that led Laurie McFadin to believe that Gerber would sell the Two Bar West bags over the internet rather than through brick-and-mortar stores. Gerber maintains she ceased buying the bags "due to numerous problems."

That month, Gerber and her husband, William Gerber II, formed Eternal Perspectives LLC, a Colorado Limited Liability Company. Eternal Perspectives

manufactures and markets "western buffalo hide bags and other buffalo products." The bags are marketed through Eternal Perspectives 's website, Foxy Roxy's website, and by Grenemyer, who the Gerbers hired as a sales representative. The Eternal Perspectives website, www.eternalperspectives.com, like the Foxy Roxy's website, contains contact information for the Gerbers, but offers no means for a client to purchase through the site. The Eternal Perspectives website also listed Grenemyer as its sales representative. However Grenemyer maintains she has not seen the site and has received no calls as a result of the listing. Grenemyer maintains that sales came solely from purchasers contacting Grenemyer in Colorado, by telephone, email, or at the shows.

III

In March of 2008, Jason Brockman, a resident of Colorado and another independent sales representative, brought pieces of the Eternal Perspectives merchandise line to the Dallas Market Center merchandise trade show in Dallas, Texas. Brockman and Grenemyer knew each other in Denver and would occasionally act as sub-representative at shows the other did not attend. As Grenemyer does not attend the Dallas show, Brockman offered to display some of Grenemyer's lines, including the Eternal Perspectives line. While Grenemyer did not pay Brockman's costs or plan his trip, the Gerbers and Eternal Perspectives contributed to the costs of his booth at the show. Under this sub-representation agreement, the main representative (in this case Grenemyer) received a two-percent over-ride commission and the sub-representative (Brockman)

received a ten-percent commission on any sales. At the Dallas show, Brockman made several sales, though not enough to be profitable and only four of the customers were Texas-based. Additionally, Brockman wrote two orders for Eternal Perspectives handbags for Texas-based customers after the show. All six of the orders were small enough to be considered "personal orders" rather than "accounts." These orders were faxed to Grenemyer who then faxed them to the Gerbers. The Gerbers then paid Brockman his commission directly once the Gerbers recieved payment from the buyers.

IV

Defendants moved to dismiss for lack of personal jurisdiction, improper venue, and insufficient service of process, or alternatively, for a change in venue. The district court, accepting a magistrate judge's report and recommendation, dismissed all claims for lack of personal jurisdiction. The McFadins now appeal.

We review the district court's dismissal for lack of personal jurisdiction de novo.[1] On a challenge to the court's personam jurisdiction, a plaintiff must make only a prima facie showing of the predicate facts.[2] In turn we "must resolve all undisputed facts submitted by the plaintiff, as well as all facts contested in the affidavits, in favor of jurisdiction."[3]

A federal court may exercise personal jurisdiction over a nonresident defendant if (1) the forum state's long-arm statute confers personal jurisdiction over that defendant; and (2) the exercise of personal jurisdiction comports with the Due Process Clause of the Fourteenth Amendment.[4] As the Texas long-arm

statute extends as far as constitutional due process allows, we only consider the second step of the inquiry.[5]

The relevant standard for due process is rote: "The plaintiff must show that (1) the defendant purposefully availed himself of the benefits and protections of the forum state by establishing 'minimum contacts' with the forum state, and (2) the exercise of personal jurisdiction over that defendant does not offend traditional notions of 'fair play and substantial justice.'"[6] "Where a defendant 'has continuous and systematic general business contacts' with the forum state, the court may exercise 'general jurisdiction' over any action brought against the defendant. Where contacts are less pervasive, the court may still exercise 'specific' jurisdiction 'in a suit arising out of or related to the defendant's contacts with the forum.'"[7] The McFadins claim only specific jurisdiction.

In this circuit, specific personal jurisdiction is a claim-specific inquiry: "A plaintiff bringing multiple claims that arise out of different forum contacts of the defendant must establish specific jurisdiction for each claim."[8] We have articulated a three-step analysis for specific jurisdiction: "(1) whether the defendant has minimum contacts with the forum state, i.e., whether it purposely directed its activities toward the forum state or purposefully availed itself of the privileges of conducting activities there; (2) whether the plaintiff's cause of action arises out of or results from the defendant's forum-related contacts; and (3) whether the exercise of personal jurisdiction is fair and reasonable."[9]

The "minimum contacts" inquiry is fact intensive and no one element is decisive; rather the touchstone is

whether the defendant's conduct shows that it "reasonably anticipates being haled into court."[10] The defendant "must not be haled into a jurisdiction solely as a result of 'random,' 'fortuitous,' or 'attenuated' contacts, or of the 'unilateral activity of another party or third person.'"[11]

In determining whether or not exercise of jurisdiction is fair and reasonable, defendants bear the burden of proof and "it is rare to say the assertion [of jurisdiction] is unfair after *minimum* contacts have been shown."[12] In this inquiry we examine five factors: "(1) the burden on the nonresident defendant, (2) the forum state's interests, (3) the plaintiff's interest in securing relief, (4) the interest of the interstate judicial system in the efficient administration of justice, and (5) the shared interest of the several states in furthering fundamental social policies."[13]

V

The McFadins allege the court has specific jurisdiction over Grenemyer with respect to both their contract and tort claims. We find that there is no personal jurisdiction over Grenemyer with respect to the contract claim. It is clearly established that "merely contracting with a resident of the forum state does not establish *minimum* contacts."[14] Jurisdiction must not be based on the fortuity of one party residing in the forum state. The McFadins rely on the fact that the contract created a ten-year sales representation relationship between the parties and that there were significant communications--including sales orders and commission payments--between Grenemyer in Colorado and the McFadins in Texas. In addition, the McFadins point to

the sales by Grenemyer to Texas residents. These contacts are insufficient.

We have held that communications relating to the performance of a contract themselves are insufficient to establish minimum contacts.[15] Here the contract was centered around Grenemyer's operations outside Texas. The McFadins approached Grenemyer about establishing the representation relationship in Colorado, Grenemyer's sales region did not include Texas but explicitly focused on the Rocky Mountain states, and Grenemyer never traveled to Texas to sell the McFadins' handbags. The entire purpose of the agreement was to open up markets outside of Texas to Two Bar West handbags.

The McFadins point to *Product Promotions, Inc., v. Cousteau*[16] and *Mississippi Interstate Express v. Transpo, Inc.*[17] to support the proposition that contracting with a known Texas resident is sufficient to establish jurisdiction in Texas. However, these cases are distinguishable from the instant one. In *Product Promotions*, the court rested heavily on the fact that the contract was consummated in Texas and that Texas law would likely apply to the contract. The defendants in *Product Promotions* "had reason to foresee that enforcement and protection of its own rights under the contract might depend on the laws of Texas."[18] Here, however, the McFadins traveled to Colorado to establish the representation relationship and it appears that the contract was formed in Colorado.[19] Likewise, Grenemyer's performance of the contract occurred in Colorado and the Rocky Mountain region.

Transpo is likewise inapposite. The McFadins argue that *Transpo* stands for the proposition that a sustained contractual relationship supports a finding of minimal contacts. However, in *Transpo*, we found that the forum state was "clearly the hub of the parties' activities."[20] That case addressed the context of interstate trucking, where there was no "clear local nexus with any particular jurisdiction."[21] That is not the case here. Denver was the hub of activities. Grenemyer represented the McFadins primarily from her showroom in Denver and while Grenemyer did make a number of sales trips, they were to the Rocky Mountain region and did not include trips to Texas. The little contact with Texas came only from the fortuity of the plaintiffs' residence there. We therefore find that there are insufficient contacts to establish personal jurisdiction over Grenemyer with respect to the contract claim. Finding no minimum contacts, we need not inquire into fairness.

VI

Nor is there jurisdiction over the McFadins' tort claims against Grenemyer. "When a nonresident defendant commits a tort within the state, or an act outside the state that causes tortious injury within the state, that tortious conduct amounts to sufficient *minimum* contacts with the state by the defendant to constitutionally permit courts within that state, including federal courts, to exercise personal adjudicative jurisdiction over the tortfeasor."[22] Additionally, "[e]ven an act done outside the state that has consequences or effects within the state will suffice as a basis for jurisdiction in a suit arising from those consequences if the effects are seriously harmful and

were intended or highly likely to follow from the nonresident defendant's conduct."[23]

The McFadins argue that Grenemyer had sufficient minimum contacts with Texas because her sales of allegedly infringing handbags caused an injury in Texas and there was an agency relationship between Brockman and Grenemyer that supports jurisdiction based on the sales in Dallas. While the actions of an agent may establish minimum contacts over a principal,[24] we agree with the district court that the relationship between Brockman and Grenemyer will not sustain attribution to Grenemyer of his actions in Texas. Brockman and Grenemyer apparently had a revenue sharing agreement and Grenemyer loaned Brockman samples of the Gerbers' goods for display in his Dallas booth. But Grenemyer did not direct Brockman to sell bags in Texas. Such conduct is insufficient to establish a relevant agency relationship.[25]

The McFadins allege that Grenemyer's sale of the Gerbers' handbags has caused injury in Texas and that these injurious effects should be sufficient to establish personal jurisdiction. It is true that in *Guidry*, we applied the "effects test" of *Calder v. Jones* to torts outside the libel context. However, the effects doctrine is not as expansive as the McFadins argue. As we have held "[f]oreseeable injury alone is not sufficient to confer specific jurisdiction, absent the direction of specific acts toward the forum."[26] Here, the actions of selling allegedly infringing handbags are not directed towards Texas in any manner.[27]

That Grenemyer is listed on the Gerbers' Eternal Perspectives website is here of no moment. We have

distinguished "passive" and "active" websites in examining a claimed showing of minimum contacts.[28] Here the website was passive, providing no means for orders, offering only Grenemyer's contact information. We have found similar webpages to be insufficient to meet minimum contacts.[29]

The McFadins also rest heavily on our decision in *Luv N' Care, Ltd. v. Insta-Mix, Inc.*[30] applying the Supreme Court's "stream of commerce" doctrine to trademark infringement claims. We held that "[w]here a defendant knowingly benefits from the availability of a particular state's market for its products, it is only fitting that the defendant be amenable to suit in that state."[31] And where a defendant places a product into the stream of commerce with the intention that it reach foreign markets, the defendant may reasonably be hailed into court in those forums for claims arising out of the product. But *Luv N' Care* does not control here. There the defendant was a Colorado distributor selling products to Wal-Mart for resale around the country, including sixty-five orders with invoices indicating that they were to be shipped to Louisiana, the forum state. Importantly, the court distinguished the situation in *Luv N' Care* from that in *Charia v. Cigarette Racing Team, Inc.*,[32] which found that "four sporadic and isolated sales did not establish sufficient basis for jurisdiction." Grenemyer received, at most, a two-percent commission for sales by Brockman of the Gerbers' goods. She did not direct Brockman to go to Texas, nor did she supply the goods that were ultimately sold. Thus her involvement in the sale of the Gerbers' handbags in Texas could at most be described as peripheral. Such a tenuous economic connection to the forum is insufficient to establish minimum contacts.

VII

The McFadins also appeal the district court's dismissal of their tort claims against the Gerbers for lack of personal jurisdiction. We disagree with the district court and find that the exercise of personal jurisdiction over the Gerbers would not offend due process.

Again we apply the three-step analysis to determine specific personal jurisdiction: "(1) whether the defendant has minimum contacts with the forum state, i.e., whether it purposely directed its activities toward the forum state or purposefully availed itself of the privileges of conducting activities there; (2) whether the plaintiff's cause of action arises out of or results from the defendant's forum-related contacts; and (3) whether the exercise of personal jurisdiction is fair and reasonable."[33]

Here, the Gerbers', through their relationship with Brockm an, sufficiently directed the sale of their handbags to Texas such that they could reasonably anticipate being haled into court there. The Gerbers hired Brockman to sell their bags to prospective retailers at the Dallas Market Center. To further his endeavors, they contributed to the costs of Brockman's booth and the show and agreed to pay Brockman a ten-percent commission on all sales of their bags. Moreover, Brockman did in fact sell bags to buyers at the Dallas show (four of whom were residents of Texas). This is not a case where the court is forced to look to the defendants' placement of products in the stream of commerce[34] or the effects of its actions outside the forum state within the state.[35] Here, the Gerbers purposefully directed the sale of their goods, through

Brockman, in Texas, thus allegedly committing a tort there while availing themselves of the benefits of the Texas market. Such action is sufficient to establish *minimum* contacts with Texas.[36]

Addressing the second step, the tort claims arise directly from sales within Texas. The McFadins allege that the Gerbers' handbags, sold through Brockman in Dallas, infringe on their trademarks.

After finding that the claim arises out of the minimum contacts with the forum state, we ask if exercise of jurisdiction is fair and reasonable using the five factors we have listed. Here Texas has an interest in protecting its residents' property rights and providing a convenient forum for its residents to resolve their disputes. The McFadins have an obvious interest in securing relief as quickly and as efficiently for themselves as possible. In addition, it is unlikely that efficient resolution of this case would be disserved by resolution in Texas as opposed to Colorado. The evidence at issue is not difficult to transport and there would be no significant burden on the court in hearing this case in Texas. As we have stated before, "once minimum contacts are established, the interests of the forum and the plaintiff justify even large burdens on the defendant."[37] The generalized difficulty in traveling to Texas is here not a burden violative of due process and we find that the court may exercises personal jurisdiction over the Gerbers with respect to the McFadins' tort claims.

We AFFIRM in part and REVERSE in part; the case is REMANDED to the district court for further proceedings.

Footnotes

*District Judge, Eastern District of Louisiana, sitting by designation.

1*Moncrief Oil Int'l v. OAO Gazprom*, 481 F.3d 309, 311 (5th Cir. 2007).

2*Luv N' Care, Ltd., v. Insta Mix, Inc.*, 438 F.3d 465, 469 (5th Cir. 2006).

3*Id.*

4*Moncrief Oil Int'l*, 481 F.3d at 311.

5*Id.* at 311 n.1.

6*Id.* at 311 (citing *Int'l Shoe Co. v. Wash.*, 326 U.S. 310, 316, 66 S. Ct. 154, 90 L. Ed. 95 (1945)).

7*Luv N' Care*, 438 F.3d at 469 (citing *Helicopteros Nacionales de Colombia, S.A. v. Hall*, 466 U.S. 408, 415, 104 S. Ct. 1868, 80 L. Ed. 2d 404 (1984)).

8*Seiferth v. Helicopteros Atuneros, Inc.*, 472 F.3d 266 (5th Cir. 2006).

9Id. at 271 (citing *Nuovo Pignone, SpA v. STORMAN ASIA M/V*, 310 F.3d 374 (5th Cir. 2002)).

10*Luv N' Care*, 438 F.3d at 470 (citing *World Wide Volkswagen Corp., v. Woodson*, 444 U.S. 286, 297, 100 S. Ct. 559, 62 L. Ed. 2d 490 (1980)).

11*Electrosource, Inc., v. Horizon Battery Techs., Ltd.*,

176 F.3d 867, 871-72 (5th Cir. 1999) (quoting *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 105 S. Ct. 2174, 85 L. Ed. 2d 528 (1985)); *see also Moncrief Oil Int'l*, 481 F.3d at 312.

12*Wien Air Alaska, Inc., v. Brandt*, 195 F.3d 208, 215 (5th Cir. 1999).

13*Luv N' Care*, 438 F.3d at 473.

14*Moncrief Oil Int'l*, 481 F.3d at 311; *see also Burger King Corp.*, 471 U.S. at 478.

15*Freudensprung v. Offshore Technical Services, Inc.*, 379 F.3d 327 344 (5th Cir. 2004) ("this court has repeatedly held that the combination of mailing payments to the forum state, engaging in communications related to the execution and performance of the contract, and the existence of a contract between the nonresident defendant and a resident of the forum are insufficient to establish minimum contacts").

16495 F.2d 483 (5th Cir. 1974).

17681 F.2d 1003 (1982).

18*Product Promotions*, 495 F.2d at 497.

19There is a strong argument that Colorado law would apply to this contract. In determining which law to apply to multistate contracts, Texas choice of law rules look to the factors listed in Restatement section 188 in order to determine which state "has the most significant relationship to the transaction." *Sonat Exploration Co.*,

v. Cudd Pressure Control, Inc., 271 S.W.3d 228, 233 (Tex. 2008). In this particular contract, all factors--including the place of contracting, place of negotiation, place of performance, location of the subject matter--except the residency of the McFadins, point to Colorado as the state with the most significant relationship.

20*Transpo*, 681 F.2d at 1011.

21*Id.*

22*Guidry v. United States Tobacco Co.*, 188 F.3d 619, 628 (5th Cir. 1999).

23*Id.* (citing *Calder v. Jones*, 465 U.S. 783, 789-90, 104 S. Ct. 1482, 79 L. Ed. 2d 804 (1984)).

24*See Product Promotions*, 495 F.2d at 492; 4A CHARLES ALAN WRIGHT, ARTHUR R. MILLER & EDWARD H. COOPER, FEDERAL PRACTICE AND PROCEDURE § 1069.5 (3d ed. 1998).

25*See Indian Harbor Ins. Co. v. Valley Forge Ins. Group*, 535 F.3d 359, 364 (5th Cir. 2008) (stating that under Texas law to prove agency "evidence must establish that the principle has both the right: (1) to assign the agent's task; and (2) to control the means and details of the process by which the agent will accomplish that task"). Grenemyer's commission on sales by Brockman is perhaps best described as a fee for allowing Brockman access to Grenemyer's clients.

26*Wien Air Alaska, Inc. v. Brandt*, 195 F.3d 208, 212 (5th Cir. 1999) (expressing concern that too broad a reading would subject a nonresident defendant "to

jurisdiction in Texas for an intentional tort simply because the plaintiff's complaint alleged injury in Texas to Texas residents regardless of the defendant's contacts, and would have to appear in Texas to defend the suit no matter how groundless or frivolous the claim may be").

27Nor does the arrangement with Brockman change this analysis. Brockman was not acting as Grenemyer's agent.

28*Revell v. Lidov*, 317 F.3d 467, 472 (5th Cir. 2002).

29*See Mink v. AAAA Dev. LLC*, 190 F.3d 333, 336-37 (5th Cir. 1999); *see also Revell*, 317 F.3d at 472 (highlighting the factors in Mink--identical to those at issue here--which categorize the page as passive for jurisdiction analysis purposes).

30438 F.3d 465 (5th Cir. 2006)

31*Id.* at 470.

32583 F.2d 184, 189 (5th Cir. 1978).

33*Seiferth v. Helicopteros Atuneros, Inc.*, 472 F.3d 266, 271 (5th Cir. 2006) (citing *Nuovo Pignone, SpA v. STORMAN ASIA M/V*, 310 F.3d 374 (5th Cir. 2002)).

34*See Luv N' Care*, 438 F.3d at 470 (discussing "stream of commerce theory" and citing *World Wide Volkswagen Corp., v. Woodson*, 444 U.S. 286, 298, 100 S. Ct. 559, 62 L. Ed. 2d 490 (1980)).

35*See Calder v. Jones*, 465 U.S. 783, 789-90, 104 S. Ct. 1482, 79 L. Ed. 2d 804 (1984).

36*Guidry v. United States Tobacco Co.*, 188 F.3d 619, 628 (5th Cir. 1999).

37*Id.*

Filed: 1/26/2009
CIVIL ACTION NO. SA-08-CV-0598 FB (NN)

UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TEXAS,
SAN ANTONIO DIVISION

LAURIE D. MCFADIN and STACY L. MCFADIN
d/b/a Two Bar West,
Plaintiffs,

v.

LYNN GERBER and WILLIAM GERBER II d/b/a Foxy Roxy's, and d/b/a Eternal Perspective Handbags, and CONNIE GRENEMYER, Defendants.

ORDER ACCEPTING REPORT AND RECOMMENDATION OF THE UNITED STATES MAGISTRATE JUDGE

Before the Court are the Report and Recommendation (docket no. 58) of the United States Magistrate Judge, plaintiffs' written objections thereto (docket no. 63), defendant Grenemyer's response (docket no. 65), and plaintiffs' reply (docket no. 66) to defendant Grenemyer's response.

Where no party has objected to a Magistrate Judge's Report and Recommendation, the Court need not conduct a de novo review of the Report and Recommendation. See 28 U.S.C. § 636(b)(1) ("A judge of the court shall make a de novo determination of those portions of the report or specified proposed findings and recommendations to which objection is made."). In

such cases, the Court need only review the Report and Recommendation and determine whether it is clearly erroneous or contrary to law. United States v. Wilson, 864 F.2d 1219, 1221 (5th Cir.), cert. denied, 492 U.S. 918 (1989).

On the other hand, any Report and Recommendation to which objection is made requires de novo review by the Court. Such a review means that the Court will examine the entire record, and will make an independent assessment of the law. The Court need not, however, conduct a de novo review when the objections are frivolous, conclusive, or general in nature. Battle v. United States Parole Comm'n, 834 F.2d 419,421 (5th Cir. 1987).

The Court has thoroughly analyzed the parties' submissions in light of the entire record. As required by Title 28 U.S.C. § 636(b)(1)(c), the Court has conducted an independent review of the entire record in this cause and has conducted a de novo review with respect to those matters raised by the objections. After due consideration, the Court concludes plaintiffs' objections lack merit.

Texas residents and plaintiffs Laurie D. McFadin and Stacy L. McFadin design and manufacture high-end hand-made leather merchandise, including handbags, under the mark Two Bar West. Plaintiffs brought suit against Linda Gerber and her husband, William Gerber, II, and Connie Grenemyer. The Gerber defendants live in Colorado and design and manufacture in Colorado handbags under the mark Eternal Perspective. Plaintiffs characterize Eternal Perspective handbags as knock-offs or copycats of Two

Bar West products. Plaintiffs bring suit against the Gerber defendants for federal false designation of origin or source, federal trade dress infringement, federal copyright infringement, Texas trademark infringement, common law unfair competition, common law palming-off, federal false advertising, common law false advertising, civil conspiracy, and tortious interference.

Defendant Grenemyer, who has never been to Texas, lives in Colorado and works as a self-employed independent sales representative. She represents lines of women's accessories for several different manufacturers including the Gerber defendants' Eternal Perspective handbags. Defendant Grenemyer maintains a showroom at the Denver Merchandise Mart in Denver, Colorado. She sold plaintiffs' Two Bar West accessories for about ten years under a commission agreement. Plaintiffs terminated their relationship with defendant Grenemyer on January 11, 2008. In a breach of contract claim, plaintiffs contend that, after notifying defendant Grenemyer about her termination, she refused to return inventory provided as showroom samples and sold the inventory in breach of their agreement.

Defendant Grenemyer refused to return the sample bags in Denver after plaintiffs arrived at defendant Grenemyer's Denver showroom and demanded the bags. Plaintiffs have also brought suit against defendant Grenemyer alleging tort causes of action including conversion, civil conspiracy, misappropriation of trade secrets and confidential information, breach of confidential relationship, and breach of fiduciary duty. Plaintiffs allege that defendant Grenemyer

misappropriated their trade secrets, including their copyrighted designs, and conspired with the Gerber defendants to sell a handbag line-Eternal Products-which is identical to or confusingly similar to the Two Bar West products.

This Court agrees with the Magistrate Judge specific personal jurisdiction is lacking over plaintiffs' breach of contract claim against defendant Grenemyer. It would be unfair and unreasonable to require defendant Grenemyer to defend herself against this claim in Texas because the alleged breach of contract did not occur in Texas and defendant Grenemyer has not purposefully directed sales activity at Texas. This Court also lacks specific personal jurisdiction over defendant Grenemyer as to the tort claims because nothing connects defendant Grenemyer to a tortious injury in Texas. Even presuming plaintiffs' evidence is sufficient to establish tortious injury in Texas, it would be unfair and unreasonable to require defendant Grenemyer to defend herself in Texas because of a handful of handbag sales in Texas, where plaintiffs' tort claims target all sales of Eternal Perspective handbags. Accordingly, defendant Grenemyer's motion to dismiss for lack of personal jurisdiction shall be granted, the request for discovery shall be denied, and the case against defendant Grenemyer shall be dismissed. Because the Court will grant the motion to dismiss, defendant Grenemyer's motion to change venue shall be dismissed as moot.

This Court also agrees with the Magistrate Judge that specific personal jurisdiction is lacking over the Gerber defendants because their conduct and connections with Texas are not such that they would reasonably

anticipate being haled into court in Texas. The Gerber defendants focus their sales of Eternal Perspective handbags in Colorado. The sale of a few handbags in Texas or to Texas-based customers is insufficient to cause the Gerber defendants to reasonably anticipate being haled into court in Texas. The Gerber defendants' motion to dismiss for lack of personal jurisdiction shall therefore be granted, the request for discovery shall be denied, and the case against the Gerber defendants shall be dismissed. Because the Court intends to grant the motion to dismiss, the Gerber defendants' motion to change venue, plaintiffs' motion for substituted service, and plaintiffs' motion to amend their complaint shall be dismissed as moot.

IT IS THEREFORE ORDERED that the Report and Recommendation (docket no. 58) of the United States Magistrate Judge is ACCEPTED pursuant to 28 U.S.C. § 636(b)(1) such that:

(1) Defendant Grenemyer's motion to dismiss for lack of personal jurisdiction (docket no. 35) is granted, plaintiffs' request for discovery is denied, and the case against defendant Grenemyer is dismissed. Because the Court has granted the motion to dismiss, defendant Grenemyer's motion to change venue (contained within docket no. 35) is dismissed as moot; and

(2) The Gerber defendants' motion to dismiss for lack of personal jurisdiction (docket no. 46) is granted, plaintiffs' request for discovery is denied, and the case against the Gerber defendants is dismissed. Because the Court has granted the motion to dismiss, the Gerber defendants' motion to change venue (contained within docket no. 46), plaintiffs' motion for substituted

service (docket no. 47), and plaintiffs' motion to amend their complaint (docket no. 57) are dismissed as moot.

IT IS FURTHER ORDERED that the above-styled and numbered cause is DISMISSED.

Remaining motions pending with the Court, if any, are Dismissed as Moot.

It is so ORDERED.

CIVIL ACTION NO. SA-08-CV-0598 FB (NN)

UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TEXAS,
SAN ANTONIO DIVISION

LAURIE D. MCFADIN and STACY L. MCFADIN
d/b/a Two Bar West,
Plaintiffs,

v.

LYNN GERBER and WILLIAM GERBER II d/b/a
Foxy Roxy's, and d/b/a Eternal Perspective Handbags,
and CONNIE GRENEMYER, Defendants.

November 6, 2008, Decided
November 6, 2008, Filed

NANCY STEIN NOWAK, UNITED STATES MAGISTRATE JUDGE.

REPORT AND RECOMMENDATION

TO: Honorable Fred Biery

United States District Court

This report and recommendation addresses the motions pending in this case. I have jurisdiction to enter this report and recommendation under 28 U.S.C. § 636(b) and the district court's order referring all pretrial matters to me for disposition by order or to aid the district court by recommendation where my authority as a Magistrate Judge is statutorily constrained. [1] After considering the pending motions and responses, I

recommend dismissing this case for lack of personal jurisdiction.

Nature of the Case

Texas residents and plaintiffs Laurie and Stacy McFadin design and manufacture high-end hand-made leather merchandise, including handbags, straps, luggage and other goods under the mark Two Bar West. The McFadins have sued Linda Gerber and her husband, William Gerber II, and Connie Grenemyer, for trademark infringement, inducing and contributing to trademark infringement, false designation of origin, palming off, unfair competition, civil conspiracy in violation of the Trademark Act of 1946, and copyright infringement under federal and state law. [2]

The Gerbers live in Colorado and design and manufacture products that the McFadins characterize as knock-offs or copycats of Two Bar West products. Lynn Gerber is self-employed, sells women's western wear and products, and does business as FoxyRoxy's. FoxyRoxy's does not have a showroom, but maintains a website which provides a telephone number and e-mail address by which potential customers can contact Lynn. In January 2008, Lynn formed a Colorado limited partnership known as Eternal Perspective with her husband William Gerber. William has no ownership interest in FoxyRoxy. Eternal Perspective produces and markets western buffalo hide bags and other buffalo products in Colorado. The McFadins characterize those handbags as knock-offs or copycats. Grenemeyer lives in Colorado and works as a self-employed independent sales representative. She represents lines of women's accessories for several different manufacturers including the Gerbers' Eternal

Perspective handbags. Grenemeyer maintains a showroom at the Denver Merchandise Mart in Denver, Colorado. She travels to various trade shows throughout her sales territory in the Rocky Mountain states and collects orders for represented merchandise. Grenemeyer sold the McFadins' Two Bar West accessories for about ten years under a commission agreement. The McFadins terminated their relationship with Grenemeyer on January 11, 2008.

Grenemeyer and the Gerbers have moved to dismiss this case for lack of personal jurisdiction, improper venue, insufficient service of process, and in the alternative, moved for a change of venue. Grenemeyer and the Gerbers filed two motions–the first motion based on the McFadins' original complaint [3] and the second based on the McFadins' amended complaint. [4] The second motions made the first motions moot. This report and recommendation addresses the second motions to dismiss (docket entry #s 35 and 46).

Grenemeyer's Motion to Dismiss for Lack of Personal Jurisdiction

Grenemeyer has asked for dismissal of this case under Rule 12(b)(2) of the Federal Rules of Civil Procedure. Rule 12(b)(2) permits a defendant to move for dismissal for lack of personal jurisdiction. Grenemeyer maintains that the district court lacks personal jurisdiction because she lacks sufficient minimum contacts with Texas such that exercising personal jurisdiction over her would be unfair and unreasonable. Grenemeyer asserts that she has never operated or solicited any business in Texas, owns no property and has no agent for service of process in Texas, and has never been to Texas.

A federal district court may exercise personal jurisdiction over a defendant only to the extent permitted a state court under applicable state law if the state's long-arm statute applies, as interpreted by the state's courts, and if due process is satisfied under the fourteenth amendment to the United States Constitution. [5] "When a nonresident defendant presents a motion to dismiss for lack of personal jurisdiction, the plaintiff bears the burden of establishing the district court's jurisdiction over the nonresident. The court may determine the jurisdictional issue by receiving affidavits, interrogatories, depositions, oral testimony, or any combination of the recognized methods of discovery." [6] "[W]hen the jurisdictional issue is to be decided by the court on the basis of facts contained in affidavits, [the plaintiff] need only present facts sufficient to constitute a prima facie case of personal jurisdiction." [7] The court views the plaintiff's allegations as "true to the extent they are not contradicted by affidavits." [8] The court resolves "[a]ny genuine, material conflicts between the facts as established by the respective parties' appropriate affidavits, and other proper summary judgment type evidence" in favor of the plaintiff. [9]

Because the Texas long-arm statute has the same scope as the United States Constitution, the district court must determine whether exercising jurisdiction over Grenemeyer is consistent with the Due Process Clause.[10] "The Due Process Clause . . . permits the exercise of personal jurisdiction over a nonresident defendant when (1) that defendant has purposefully availed [herself] of the benefits and protections of the forum state by establishing 'minimum contacts' with the forum state; and (2) the exercise of jurisdiction over

that defendant does not offend 'traditional notions of fair play and substantial justice.'" [11] Minimum contacts is established through contacts that give rise to specific personal jurisdiction or general personal jurisdiction. [12] The McFadins base the court's jurisdiction over Grenemeyer on specific jurisdiction. [13]

"Specific jurisdiction exists when the nonresident defendant's contacts with the forum state arise from, or are directly related to, the cause of action." [14] The specific jurisdiction analysis asks the following: "(1) Did the defendant have minimum contacts with the forum state--purposely directing its activities toward the forum state or purposely availing itself of the privilege of conducting activities therein? (2) Did the plaintiffs[] cause of action arise out of or result from the defendant's forum-related contacts? (3) Would the exercise of personal jurisdiction be reasonable and fair?" [15] A nonresident defendant has a minimum contact for the purposes of jurisdiction when she takes purposeful and affirmative action, the effect of which is to cause business activity, foreseeable by defendant, in forum state. [16]

The McFadins maintain that Grenemeyer is subject to personal jurisdiction in Texas because she entered into a commission agreement with Texas residents (the McFadins) knowing that a material part of the performance of the contract would occur in Texas. Under the agreement, Grenemeyer contacted the McFadins in Texas with orders for the McFadins' merchandise (the Two Bar West handbags) and the McFadins shipped the merchandise to the buyer. After a buyer paid for the merchandise, the McFadins mailed Grenemeyer a check for her commission.

Taking orders for the McFadins' merchandise was purposeful and affirmative action to cause business activity in Texas because the merchandise was located in Texas. Grenemeyer would have foreseen that taking an order for the McFadins' merchandise would cause business activity in Texas because receiving an order from Grenemeyer required the McFadins to ship merchandise. In some instances, Grenemeyer accepted orders from buyers from Texas who contacted Grenemeyer in her sales territory. Grenemeyer would have foreseen that taking orders from a Texas buyer would cause business activity in Texas because the McFadins would ship merchandise to the Texas buyer. Grenemeyer would have also foreseen that agreeing to sell the McFadins' merchandise required the McFadins to send sample merchandise from Texas to Grenemeyer in Colorado because she needed to show the merchandise in order to sell it. These contacts constitute minimum contacts for the McFadins' breach-of-contract claim. In that claim, the McFadins allege that Grenemeyer breached the commission agreement by refusing to return the sample bags. [17] The McFadins' breach-of-contract claim arose out of the minimum contacts because the McFadins provided the sample handbags to Grenemeyer under the commission agreement.

Once a plaintiff establishes purposeful contacts by the defendant, the defendant must show that the exercise of jurisdiction would be unfair. The defendant must "present a compelling case that the presence of some other considerations would render jurisdiction unreasonable." [18] "[I]t must not be unfair or unreasonable to require the nonresident to defend the suit in the forum." [19] "In this reasonableness analysis, a

court is to consider such factors as the extent of the defendant's purposeful interjection, the existence of an alternate forum, the burden on the defendant in appearing locally, the forum state's interest in adjudicating the dispute, the shared interest of all states involved in furthering their respective policies, the plaintiff's interest in obtaining convenient and effective relief and the interstate judicial system's interest in obtaining the most efficient resolution of controversies." [20] The Supreme Court has indicated that "the foreseeability that is critical to due process analysis is . . . [whether] the defendant's conduct and connection with the forum State are such that [s]he should reasonably anticipate being haled into court there." [21]

In their breach-of-contract claim, the McFadins complain that after notifying Grenemeyer about her termination, Grenemeyer refused to return inventory provided as showroom samples [22] and sold the inventory in breach of their agreement. [23] If these allegations are true, Grenemeyer would not reasonably expect to be haled into court in Texas because the alleged breach did not occur in Texas. Grenemeyer refused to return the sample bags in Denver after the McFadins arrived at Grenemeyer's showroom and demanded the handbags. The alleged sale of sample handbags did not occur in Texas because Grenemeyer has never been in Texas.

Grenmeyer has not purposefully directed sales activity at Texas. The McFadins initiated the commission agreement by visiting Grenemeyer in Colorado. [24] The McFadins were motivated in part by Grenemeyer's presence outside of Texas. Laurie McFadin attested that one of the main reasons Two Bar West hired

Grenemeyer as its exclusive sales agent was she attended far-away trade shows. [25] Consistent with that expectation, Grenemeyer traveled to trade shows in Arizona, Colorado, Idaho, Montana, New Mexico, Utah and Wyoming. [26]

In addition to working in other states, Grenemeyer had little incentive to direct her sales activity to Texas because she received a smaller sales commission for sales outside of her sales territory as compared to sales within her sales territory--6% commission compared to 12% commission. [27] According to the McFadins' allegations, less than 4% of Grenemeyer's sales were to Texas buyers--an estimated $ 40,000.00 [28] out of a total of $ 1,062,776.00. [29] Nothing indicates Grenemeyer sought out those sales; instead, Texas buyers contacted Grenemeyer at the locations inside her sales territory. Consequently, no basis exists for believing Grenemeyer purposefully directed activity at Texas.

Having never been in Texas, defending herself against a breach-of-contract claim in Texas based on conduct that occurred in Colorado would be burdensome. If the breach-of-contract claim were tried in Texas, Grenemeyer would incur significant travel expenses for witnesses who observed her refusal to return the sample handbags. Grenemeyer produced a witness list showing that her witnesses reside and/or work in Colorado. [30] No one has identified a witness who observed Grenemeyer sell a sample bag.

If Grenemeyer breached the contract, Texas has an interest in maintaining the lawsuit because the dispute involves two of its citizens, but the same can be said for Colorado. Because Grenemeyer is a Colorado citizen,

Colorado has an equal interest in adjudicating the breach of contract claim because both states have an interest in a contract dispute involving its citizens. In contrast to Grenemeyer, the McFadins would have little difficulty pursuing Grenemeyer in Colorado. They sought out Grenemeyer's representation by visiting her showroom in Denver and they operate a showroom in Denver. [31] Seeking relief in Texas would be more convenient for the McFadins, but they can obtain effective relief in Colorado. The judicial system's interest in obtaining the most efficient resolution of controversies can be met in litigating this case in either state. Under these circumstances, requiring Grenemeyer to defend herself in Texas against the breach of contract claim is unfair and unreasonable. Consequently, the court lacks specific personal jurisdiction over Grenemeyer as to the breach of contract claim.

The McFadins will likely object to this conclusion, relying on the Fifth Circuit's decision in *Product Promotions v. Cousteau*. [32] In *Product Productions*, the Fifth Circuit stated that in determining whether "a court's exercise of personal jurisdiction over a nonresident defendant is . . . consistent with due process," the court must "consider such things as the interest of the state in providing a forum for the suit, the relative conveniences and inconveniences to the parties, and basic equities." [33] After applying those factors in *Product Promotions*, the Fifth Circuit concluded that the exercise of personal jurisdiction over the non-resident defendant did not offend traditional notions of fair play and substantial justice. Since *Product Productions*, the Fifth Circuit refined its test for determining whether a court's exercise of

jurisdiction over a nonresident defendant is consistent with due process, explaining that the determination is "highly specific to each case and not susceptible of easy determination." [34] In *Barstein v. State Bar of California*, the Fifth Circuit reviewed the Supreme Court's precedents on determining fairness and settled on the factors discussed in this report and recommendation. [35] Courts in this jurisdiction routinely apply those factors. [36] Consideration of an objection based on the factual similarities between this case and *Product Promotions* should recognize all of the factors courts use in determining fairness, rather than the three factors considered in *Product Promotions*. [37]

The McFadins have also sued Grenemeyer for tort claims—conversion, civil conspiracy, misappropriation of trade secrets and confidential information, breach of confidential relationship, and breach of fiduciary duty. The McFadins allege that Grenemeyer misappropriated their trade secrets, including their copyrighted designs, [38] and conspired with the Gerbers to sell a handbag line that is identical to or confusingly similar to the Two Bar West products—that is, the Eternal Perspective products. [39] Because no question exists that the Gerbers—not Grenemeyer—produce the handbags, the tort allegations against Grenemeyer are based on her sales representation of Eternal Perspective handbags.

"When a nonresident defendant commits a tort within the state, or an act outside the state that causes tortious injury within the state, that tortious conduct amounts to sufficient minimum contacts with the state by the defendant to constitutionally permit courts within that state, including federal courts, to exercise personal adjudicative jurisdiction over the tortfeasor

and the causes of actions arising from its offenses or quasi-offenses." [40] The McFadins cannot show that Grenemeyer committed a tort in Texas because she has never been to Texas. To show that Grenemeyer acted to cause tortious injury in Texas, the McFadins emphasize Grenemeyer's contacts under the commission agreement and the sale of Eternal Perspective handbags in Texas. Grenemeyer's contacts under the commission agreement are irrelevant to this showing because those contacts are not related to the McFadins' tort claims, which allege conduct occurring after the agreement was terminated.

As evidence of the sale of Eternal Perspective bags in Texas, the McFadins produced an affidavit from a Texas retailer stating that she purchased Eternal Perspective bags from Eternal Perspective and FoxyRoxy for sale in her store in Texas, and opining that the average customer cannot distinguish the bags from the McFadins' bags. [41] The affiant stated that she purchased the handbags by contacting the Gerbers' sales representative, Jason Brockman. The affiant did not state where or how she purchased the Eternal Perspective handbags, but she characterized Brockman as the Gerbers' sales representative. [42] The affidavit does not show that Grenemeyer caused a tortious injury in Texas because it does connect Grenemeyer to the handbags.

The McFadins characterized Brockman as Grenemeyer's agent [43] and produced Brockman's affidavit to connect Grenemeyer to the sale of Eternal Perspective handbags in Texas. In the affidavit, Brockman attested that for a brief period of time in 2003, he and Grenemeyer helped each other by acting

as sub-representatives for lines of merchandise that they independently represented. [44] Brockman explained that because he traveled more than Grenemeyer, he sometimes took some of the merchandise that Grenemeyer represented with him to shows in Arizona and New Mexico. [45] He stated that he attended the Dallas Market Center merchandise trade show in March 2008, taking some Eternal Perspective handbags to the show. [46] He characterized the number of handbags as "a small fraction of the lines of merchandise that [he] exhibited at the show." [47] Brockman stated that four Texas-based customers wrote orders for Eternal Perspective handbags, in amounts he considered as personal orders. [48] Brockman attested that Grenemeyer contributed nothing to the cost of his trip and took no part in planning for his attendance at the show. [49] He stated that after the show he wrote two other orders for Eternal Perspective handbags for Texas-based customers. [50]

Brockman's affidavit is insufficient to connect Grenemeyer to the sale of Eternal Perspective handbags in Texas because the affidavit does not establish Brockman as Grenemeyer's agent. Both Grenemeyer and Brockman attested to being independent sales representatives, [51] not agents for one each other. At most, the affidavit shows that Brockman sold a few Eternal Perspective handbags to Texas-based buyers, not that Brockman sold them on Grenemeyer's behalf or at Grenemeyer' request. The McFadins rely on Brockman's affidavit as evidence Grenemeyer received commissions on the sale of Eternal Perspective handbags in Dallas, [52] but the affidavit establishes that Brockman—not Grenemeyer—received a sales commission for the Dallas sales. The

McFadins assert that Grenemeyer received a 2% sales commission on the sales,[53] but the affidavit does not say that.[54]

The McFadins produced a third affidavit from a second Texas retailer, stating that the affiant saw Brockman at the Dallas Mart Center and that Brockman told her that he represented Eternal Perspective handbags.[55] The affiant opined that the Etrernal Persepctive handbags Brockman offered for sale were substantially the same design, decoration, pattern and logo as the Two Bar West handbags.[56] The affidavit is insufficient to connect Grenemeyer to the sale of Eternal Perspectives handbags in Texas because it does not mention Grenemeyer.

If the McFadins' allegations are true, Grenemeyer acted somewhere other than Texas. Logically, if Grenemeyer resides and works in Colorado, misappropriation of the McFadins' trade secrets and conspiring with the Gerbers to sell knock-off/copycat handbags occurred in Colorado because that is where she and the Gerbers reside and Eternal Perspective handbags are produced. If Grenemeyer is selling knock-off/copycat bags, she is selling those bags in places other than Texas because she does not travel to Texas. Consequently, nothing shows that Grenemeyer caused tortious injury in Texas. Without conduct causing tortious injury in Texas, no minimum contacts exist for the purpose of personal jurisdiction in regard to the McFadins' tort claims.

In the event the district court considers the McFadins' evidence as sufficient to establish tortious injury in Texas, it would be still be unfair and unreasonable to

require Grenemeyer to defend herself in Texas. The thrust of the McFadins' tort claims is that Eternal Perspective is selling knock-off/copycat handbags, not that Eternal Perspective is selling knock-off/copycat handbags in Texas. Having sought out Grenemeyer because she worked in areas far-away from Texas, it is disingenuous for the McFadins to focus on Texas to justify litigating their claims in Texas. Grenemeyer attested that the only orders she has written for Eternal Perspective handbags were for clients in Colorado, Montana, Wyoming, Arizona and New Mexico. [57] The McFadins have not shown differently. The district court does not have to accept the McFadins' allegation that Grenemeyer caused tortious injury in Texas as true where contradicted by Grenemeyer's evidence. The court lacks specific personal jurisdiction over Grenemeyer as to the tort claims.

Knowing the matter of minimum contacts for the tort claims is questionable, the McFadins have asked for leave to conduct discovery on specific personal jurisdiction. [58] With leave of court, the McFadins would depose Brockman, the Gerbers and Grenemeyer, issuing subpoenas for sales records for Eternal Perspective handbags. Although the district court may permit a plaintiff to conduct discovery for the purposes of establishing jurisdiction, [59] this is not complicated case requiring discovery to determine whether specific personal jurisdiction exists. No real question exists about whether Grenemeyer is selling Eternal Perspective handbags in Texas, whether she misappropriated the McFadins' trade secrets in Texas, or whether she conspired with the Gerbers about selling knock-off/copycat bags in Texas, because

Grenemeyer has never been to Texas. Even if the McFadins could connect Grenemeyer to a sale of a Eternal Perspective handbag in Texas, a handful of sales is not a significant fact in determining specific personal jurisdiction. [60] The focus of Grenemeyer's sales is clearly not in Texas, as her sales territory does not include Texas. Where no real question exists about whether Grenemyer's activity in Texas, discovery would amount to little more than a fishing expedition.

The Gerbers' Motion to Dismiss for Lack of Personal Jurisdiction

The Gerbers also asked for dismissal of this case under Rule 12(b)(2). The Gerbers maintain that they lack minimum contacts with Texas because they do not operate in Texas and do not solicit sales Texas.[61] They argue that Lynn Gerber has been to Texas only once for recreation purposes and William Gerber has never been to Texas.

Because the McFadins have sued the Gerbers for various tort claims, [62] they must show that the Gerbers committed a tort in Texas or an act outside the state that caused tortious injury in Texas. [63] The McFadins cannot show that the Gerbers committed a tort in Texas because William Gerber has never been to Texas[64] and Lynn Gerber has been to Texas only once for recreation purposes. [65] The McFadins maintain the Gerbers have caused tortious injury in Texas because they sold Eternal Perspective handbags in Texas and sold the handbags to Texas-based buyers. The Gerbers rely heavily on Brockman's booth at the March 2008 Dallas Market Center merchandise trade show. [66]

"'[I]f a party is selling or trying to sell goods in a particular state, they are obviously seeking to avail themselves of the benefits of the forum and should not be allowed to shield themselves from the ultimate accountability that might follow.'" [67] If the Gerbers used Brockman to sell infringing handbags in Texas, they caused tortious injury in Texas. Brockman's affidavit attesting that the Gerbers contributed to the cost of his booth at the Dallas Market Center merchandise trade show and that Brockman sold a few Eternal Perspective handbags at the Dallas show makes a prima facie showing of tortious injury in Texas. Having made this showing, the Gerbers must "present a compelling case that the presence of some other considerations would render jurisdiction unreasonable."[68]

The Gerbers maintain that it would be unfair and unreasonable to force them to defend themselves in Texas because their conduct and connection with Texas is not such that they would reasonably anticipate being haled into court in Texas. [69] The Gerbers live and work in Colorado. Lynn has been to Texas once for recreation; [70] William has never been to Texas. [71] Lynn purchased a few Two Bar West handbags from the McFadins via telephone, [72] but that contact does not make it fair or reasonable for her to defend herself in Texas. [73] Otherwise, every customer who purchased a product located in a different state would open herself up to litigation in an inconvenient forum. Eternal Perspective maintains a web-site viewable from Texas, but the web-site is not directed at Texas or any other state. Instead, the website instructs: "Call Lynn at 303-944 8381 [a Denver phone number] for wholesale information. To see our line, please visit Connie

Grenemyer at the Denver Mercha[n]dise Mart Room # 3674." [74] Eternal Perspective has made no sales to Texas wholesalers. [75] The Gerbers market the Eternal Perspective handbags primarily at shows in Colorado. [76] "The handbags are manufactured in Colorado, orders are taken in Colorado, invoices are sent from Colorado, and the bags are shipped from Colorado." [77] Other than Brockman's booth at the Dallas trade show, the Gerbers have done nothing to purposefully direct sales at Texas. Under these circumstances, the Gerbers would not reasonably anticipate being haled into court in Texas.

Residing and working in Colorado, defending themselves against the McFadins' tort claims based on a few handbags sales in Texas would be burdensome, especially considering that the thrust of the McFadins' claims is that the Gerbers are selling knock-off/copycat handbags--not that the Gerbers are selling knock-off/copycat handbags in Texas. If the claims were tried in Texas, the Gerbers would incur significant expenses for witnesses involved in the design and manufacturing of the Eternal Perspective handbags to travel to Texas. If the Gerbers conspired with Grenemeyer to produce knock-off/copycat handbags, that conduct occurred in Colorado because the Gerbers and Grenemeyer work and reside in Colorado. If the Gerbers are manufacturing knock-off/copy handbags, they are doing so in Colorado because that is where the handbags are produced. If the Gerbers are selling knock-off/copycat handbags, sales are initiated in Colorado because Colorado is where the Gerbers show the handbags and accept orders.

If the Gerbers are infringing on the Two Bar West designs, Texas has an interest in maintaining the lawsuit because the dispute involves the copyrighted designs of its citizens, but the same can be said for Colorado. Because the Gerbers are Colorado citizens, Colorado has an equal interest in adjudicating the McFadins' tort claims because Colorado has an interest the designs of its citizens--here, the Eternal Perspective handbags. In contrast to the Gerbers, the McFadins would have little difficulty pursuing the Gerbers in Colorado. They travel to Colorado and operate a showroom in Denver. [18] Seeking relief in Texas would be more convenient for the McFadins, but they can obtain effective relief in Colorado. The judicial system's interest in obtaining the most efficient resolution of controversies can be met in litigating this case in either state. Under these circumstances, requiring the Gerbers to defend themselves in Texas against the McFadins' tort claims is unfair and unreasonable. Consequently, the court lacks specific personal jurisdiction over the Gerbers.

The McFadins will likely object to this conclusion, relying on factual similarities to *Product Promotions*, but that decision does not control here. Like the McFadins, the appellant in *Product Promotions* did not make a prima facie showing of minimum contacts for its tort causes of action. [19] Thus, no reason existed to apply the *Product-Productions* factors to determine whether exercising jurisdiction over the defendant in regard to the tort claims offended traditional notions of fair play and substantial justice. If the district judge finds minimum contacts, my analysis for whether exercising jurisdiction over the Gerbers is fair and reasonable applies all of the appropriate factors.

As with Grenemeyer, the McFadins have asked for leave to conduct discovery on specific personal jurisdiction.[80] With leave of court, the McFadins would depose Brockman, the Gerbers and Grenemeyer, issuing subpoenas for sales records for Eternal Perspective handbags. The district court may permit a plaintiff to conduct discovery for the purposes of establishing jurisdiction,[81] but the facts are not so complicated in this case that discovery is required to determine whether specific personal jurisdiction exists. The thrust of the McFadins's tort claims against the Gerbers is about handbag sales, not handbag sales in Texas. Even if the Gerbers have sold handbags to Texas-based retailers, those sales are not what really matters in this case—what matters is whether the Gerbers are infringing on the McFadins' designs. If the Gerbers sold some handbags to Texans, they sold the handbags in Colorado. Discovering more sales in Texas is not a significant fact in determining specific personal jurisdiction.[82] Where the Gerbers' sales activity focuses on Colorado, discovery would not help determine where this dispute is properly adjudicated.

Recommendation

The court lacks specific personal jurisdiction over the McFadins' breach-of-contract claim because it would be unfair and unreasonable to require Grenemeyer to defend herself against that claim in Texas. It would be unfair and unreasonable for Grenemeyer to defend herself in Texas because the alleged breach of contract did not occur in Texas and because Grenemeyer has not purposefully directed sales activity at Texas. The court lacks specific personal jurisdiction over Grenemeyer as to the tort claims because nothing connects Grenemeyer to a tortious injury in Texas. Even if the

McFadins' evidence is sufficient to establish tortious injury in Texas, it would be be unfair and unreasonable to require Grenemeyer to defend herself in Texas because of a handful of handbag sales in Texas, where the thrust of the McFadins' tort claims target all sales of Eternal Perspective handbags. For these reasons, I recommend granting Grenemeyer's motion to dismiss for lack of personal jurisdiction (docket entry # 35), denying the request for discovery, and dismissing this case as to Grenemeyer. If the district court grants the motion, it can deny Grenemeyer's motion to change venue (also docket entry # 35) as moot.

The court lacks specific personal jurisdiction over the Gerbers because their conduct and connection with Texas is not such that they would reasonably anticipate being haled into court in Texas. The Gerbers focus their sales of Eternal Perspective handbags on Colorado. The sale of a few handbags in Texas or to Texas-based customers is insufficient to cause the Gerbers to reasonably anticipate being haled into court in Texas. For these reasons, I recommend granting the Gerbers' motion to dismiss for lack of personal jurisdiction (docket entry # 46), denying the request for discovery, and dismissing this case as to the Gerbers. If the district court grants the motion, it can deny the Gerbers' motion to change venue (also docket entry # 46) and the McFadins' motion for substituted service of process (docket entry # 47) and motion to amend their complaint (docket entry # 57) as moot.

Instructions for Service and Notice of Right to Object/Appeal

The United States District Clerk shall serve a copy of this report and recommendation on all parties by either

(1) electronic transmittal to all parties represented by attorneys registered as a "filing user" with the clerk of court, or (2) by mailing a copy to those not registered by certified mail, return receipt requested. Written objections to this report and recommendation must be filed within 10 days after being served with a copy of same, unless this time period is modified by the district court. [83] Such party shall file the objections with the clerk of the court, and serve the objections on all other parties and the magistrate judge. A party filing objections must specifically identify those findings, conclusions or recommendations to which objections are being made and the basis for such objections; the district court need not consider frivolous, conclusive or general objections. A party's failure to file written objections to the proposed findings, conclusions and recommendations contained in this report shall bar the party from a *de novo* determination by the district court. [84] Additionally, failure to file timely written objections to the proposed findings, conclusions and recommendations contained in this memorandum and recommendation shall bar the aggrieved party, except upon grounds of plain error, from attacking on appeal the unobjected-to proposed factual findings and legal conclusions accepted by the district court. [85]

SIGNED on November 6, 2008.
/s/ Nancy Stein Nowak
NANCY STEIN NOWAK
UNITED STATES MAGISTRATE JUDGE

Footnotes

1 Docket entry # 10.

2 *See* docket entry # 11 (first amended complaint).

3 Docket entry #s 15 & 21.

4 Docket entry #s 35 & 46.

5 *Allred v. Moore & Peterson*, 117 F.3d 278, 281 (5th Cir. 1997).

6 *Stuart v. Spademan*, 772 F.2d 1185, 1192 (5th Cir. 1985).

7 *WNS v. Farrow*, 884 F.2d 200, 203 (5th Cir. 1989).

8 *Wyatt v. Kaplan*, 686 F.2d 276, 283 (5th Cir. 1982).

9 *Jones v. Petty-Ray Geophysical Geosource*, 954 F.2d 1061, 1067 (5th Cir. 1992).

10 *Alpine View v. Atlas Copco AB*, 205 F.3d 208, 214 (5th Cir. 2000).

11 *Mink v. AAAA Development LLC*, 190 F.3d 333, 336 (5th Cir. 2000) (citations omitted).

12 *Mink*, 190 F.3d at 336.

13 Docket entry # 41, pp. 5-6.

14 *Mink*, 190 F.3d at 336.

15 *Guidry v. U.S. Tobacco Co.*, 188 F.3d 619, 625 (5th Cir. 1999).

16 *See Miss. Interstate Express v. Transpo*, 681 F.2d 1003, 1007 (5th Cir. 1982) ("The rule developed by this

circuit, however, is that when a nonresident defendant takes "purposeful and affirmative action," the effect of which is "to cause business activity, foreseeable by (the defendant), in the forum state," such action by the defendant is considered a "minimum contact" for jurisdictional purposes.") (citations omitted).

17 Docket entry # 11, ¶¶ 227-51.

18 *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 477, 105 S. Ct. 2174, 85 L. Ed. 2d 528 (1985).

19 *Product Promotions v. Cousteau*, 495 F.2d 483, 497-98 (5th Cir. 1974).

20 *Star Technology v. Tultex Corp.*, 844 F. Supp. 295, 297 (N.D. Tex. 1993). *See Burstein v. St. Bar of Cal.*, 693 F.2d 511, 521 (5th Cir. 1982) (reciting same factors).

21 *World Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 297, 100 S. Ct. 559, 62 L. Ed. 2d 490 (1980).

22 Docket entry # 11, ¶¶ 93 & 227-51.

23 *Id.* at ¶ 96.

24 Docket entry # 41, p. 6.

25 Docket entry # 39, declaration of Laurie McFadin, ¶ 12.

26 Docket entry # 35, apps. A, ¶¶ 11-12.

27 Docket entry # 11, ¶ 87.

28 Docket entry # 41, appx. 1, ¶ 23.

29 Docket entry # 41, appx. 3.

30 Docket entry # 35, appx. B.

31 Docket entry # 11, ¶ 132.

32 495 F.2d 483 (5th Cir. 1974).

33 *Product Promotions*, 495 F.2d at 498.

34 *Burstein*, 692 F.2d at 520.

35 *Id.* at pp. 520-21.

36 *See Gundry v. U.S. Tobacco Co.*, 188 F.3d 619, 620 (5th Cir. 1999) ("When determining the fundamental fairness issue this court will normally examine (1) the defendant's burden; (2) the forum state's interests; (3) the plaintiff's interest in convenient and effective relief; (4) the judicial system's interest in efficient resolution of controversies; and (5) the shared interest of the several states in furthering fundamental substantive social policies."); *Coats v. Penrod Drilling Corp.*, 5 F.3d 877, 884-85 (5th Cir. 1993) ("Once minimum contacts are shown, a court should decide whether the assertion of jurisdiction would comport with fair play and substantial justice, considering the burden on the defendant, the forum state's interest in adjudicating the dispute, the plaintiff's interest in obtaining convenient and effective relief, the interstate judicial system's interest in obtaining the most efficient resolution of controversies, and the shared interest of the several states in furthering fundamental substantive social

policies."); *Friedrich Air Conditioning Co. v. Genie Air Conditioning and Heating*, No. SA-08-CA-541-XR, 2008 U.S. Dist. LEXIS 62483, 2008 WL 3852644, at *3 (W.D. Tex. Aug. 15, 2008) ("In evaluating whether a defendant has presented such a case, courts look to '1) the burden on the nonresident defendant; 2) the interests of the forum state; 3) the plaintiff's interest in obtaining relief; 4) the interstate judicial system's interest in the most efficient resolution of controversies; and 5) the shared interests of the several states in furthering fundamental social policies.'") (internal citation omitted); *Ryerson v. Deschamps*, No. Civ.A. G-05-092, 2006 U.S. Dist. LEXIS 3412, 2006 WL 126634, 2 (S.D. Tex. Jan. 13, 2006) ("In making this determination, the Court considers: '(1) the burden on the nonresident defendant of having to defend itself in the forum; (2) the interests of the forum state in the case; (3) the plaintiff's interest in obtaining convenient and effective relief; (4) the interstate judicial system's interest in the most efficient resolution of controversies; and (5) the shared interests of the states in furthering fundamental social policies.'") (internal citation omitted); *Hartman v. Bago Luma Collections*, No. SA-03-CA-0465-XR, 2004 U.S. Dist. LEXIS 8264, 2004 WL 1055709, at * 3 (W.D. Tex. Apr. 27, 2004) ("In this reasonableness analysis, a court is to consider such factors as the extent of the defendant's purposeful interjection, the existence of an alternate forum, the burden on the defendant in appearing locally, the forum state's interest in adjudicating the dispute, the shared interest of all states involved in furthering their respective policies, the plaintiff's interest in obtaining convenient and effective relief and the interstate judicial system's interest in obtaining the most efficient resolution of controversies."); *Americas Ins. Co. v.*

Engicon, 894 F. Supp. 1068, 1072 (S.D. Tex. 1995) ("The burden on the Defendant . . . will be considered in light of other relevant factors: (1) the forum state's interest in adjudicating the dispute; (2) the Plaintiff's interest in obtaining convenient and effective relief; (3) the interstate judicial system's interest in obtaining the most efficient resolution of controversies; and (4) the shared interest of the several states in furthering fundamental substantive social policies."); *Star Tech.*, 844 F. Supp. at 297 ("In this reasonableness analysis, a court is to consider such factors as the extent of the defendant's purposeful interjection, the existence of an alternate forum, the burden on the defendant in appearing locally, the forum state's interest in adjudicating the dispute, the shared interest of all states involved in furthering their respective policies, the plaintiff's interest in obtaining convenient and effective relief and the interstate judicial system's interest in obtaining the most efficient resolution of controversies."); *Croum Sterling v. Clark*, 815 F. Supp. 199, 202 (N.D. Tex. 1993) ("In this reasonableness analysis, a court is to consider such factors as the extent of the defendant's purposeful interjection, the existence of an alternate forum, the burden on the defendant in appearing locally, the forum state's interest in adjudicating the dispute, the shared interest of all states involved in furthering their respective policies, the plaintiff's interest in obtaining convenient and effective relief and the interstate judicial system's interest in obtaining the most efficient resolution of controversies.").

37 The district court will observe that my analysis in regard to whether minimum contacts exists is fairly consistent with *Product Promotions*.

38 Docket entry # 11, ¶ 103.

39 *Id.* at ¶ 137. *See also* docket entry # 39, p. 3.

40 *Gaudry v. U.S. Tobacco Co.*, 188 F.3d 619, 628 (5th Cir. 1999).

41 Docket entry # 39, affidavit of Nita Dixon.

42 The screen-shot of the Eternal Perspective website included in the affidavit reflected the following: "To see our line, please visit Connie Grenemeyer at the Denver Merchandise Mart Room # 3674."

43 Docket entry # 39, pp. 2, 7.

44 Docket entry # 41, declaration of Jason H. Brockman, ¶ 4.

45 *Id.* at ¶ 5.

46 *Id.* at ¶ 7.

47 *Id.* at ¶ 7.

48 *Id.* at ¶ 9.

49 *Id.* at ¶ 8.

50 *Id.*

51 Docket entry # 39, affidavit of Jason Brockman & docket entry # 35, appx. A.

52 Docket entry # 39, p. 6.

53 *Id.* at p. 8.

54 Docket entry # 41, declaration of Jason Brockman, ¶ 12.

55 Docket entry # 39, affidavit of Maryanne Vontor.

56 *Id.* at ¶ 9.

57 Docket entry # 35, appx. A, ¶ 30.

58 Docket entry # 39, p. 9.

59 *See Williamson v. Tucker*, 645 F.2d 404, 414 (5th Cir. 1981).

60 *Wyatt v. Kaplan*, 686 F.2d 276, 284 (5th Cir. 1982) (indicating that the court upholds denials of discovery on questions of personal jurisdiction where the discovery would not add any significant fact).

61 Docket entry # 46, p. 4.

62 The McFadins sued the Gerbers for: federal false designation of origin or source, federal trade dress infringement, federal copyright infringement, Texas trademark infringement, common law unfair competition, common law palming off, federal false advertising, common law false advertising, civil conspiracy, and tortious interference.

63 *See Guidry*, 188 F.3d at 628.

64 Docket entry # 46, William Gerber's affidavit, ¶ 3.

65 *Id.*, Lynn Gerber's affidavit, ¶ 3.

66 Docket entry # 43, p. 5.

67 *Alpine View Co. v. Atlas Copco AB*, 205 F.3d 208, 216 (5th Cir. 2000) (quoting appellant's brief).

68 *See Rudzewicz*, 471 U.S. at 477.

69 *See World-Wide Volkswagen Corp.*, 444 U.S. at 297.

70 Docket entry # 46, Lynn Gerber's affidavit, ¶ 3.

71 *Id.*, William Gerber's affidavit, ¶ 3.

72 *Id.*, Lynn Gerber's affidavit, at ¶ 10.

73 Lynn purchased a few other Two Bar West handbags from Grenemeyer at her Denver showroom. Docket entry # 46, Lynn Gerber's affidavit, ¶ 8.

74 Docket entry # 53, declaration of Nita Dixon, p. 3.

75 *Id.*, Lynn Gerber's affidavit, ¶ 17 & William Gerber's affidavit, ¶ 10.

76 *Id.*, Lynn Gerber's affidavit, ¶ 7.

77 *Id.*, Lynn Gerber's affidavit, ¶ 18 & William Gerber's affidavit, ¶ 11.

78 Docket entry # 11, ¶ 22.

79 *Product Promotions*, 495 F.2d at 491.

80 Docket entry # 53, pp. 4-7.

81 *See Williamson*, 645 F.2d at 414.

82 *Wyatt*, 686 F.2d at 284 (indicating that the court upholds denials of discovery on questions of personal jurisdiction where the discovery would not add any significant fact).

83 28 U.S.C. §636(b)(1); FED. R. CIV. P. 72(b).

84 *Thomas v. Arn*, 474 U.S. 140, 149-152, 106 S. Ct. 466, 88 L. Ed. 2d 435 (1985); *Acuna v. Brown & Root, Inc.*, 200 F.3d 335, 340 (5th Cir. 2000).

85 *Douglass v. United Servs. Auto. Ass'n*, 79 F.3d 1415, 1428 29 (5th Cir. 1996).

Filed: 12/3/09
No. 09-50083
UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

LAURIE D. MCFADIN, d/b/a Two Bar West; STACY L. MCFADIN, d/b/a Two Bar West, Plaintiffs - Appellants

v.

LYNN GERBER, d/b/a Foxy Roxy's, d/b/a Eternal Perspective Handbags; WILLIAM GERBER, II, d/b/a Foxy Roxy's, d/b/a Eternal Perspective Handbags; CONNIE GRENEMYER, Defendants - Appellees

November 9, 2009, Filed

Appeal from the United States District Court for the Western District of Texas.

ON PETITION FOR REHEARING EN BANC

Before HIGGINBOTHAM and STEWART, Circuit Judges, and * ENGELHARDT, District Judge.

Treating the Petition for Rehearing En banc as a Petition for Panel Rehearing, the Petition for Panel Rehearing is DENIED. No member of the panel nor judge in regular active service of the court having requested that the court be polled on Rehearing En Banc (Fed. R. App. P. and 5th Cir. R. 35), the Petition for Rehearing is DENIED.

Footnote

*District Judge, Eastern District of Louisiana, sitting by designation.

105

(2)

No. 09-1067

JUL 9 - 2010

In The

Supreme Court of the United States

LAURIE D. MCFADIN, D/B/A TWO BAR WEST; STACY L. MCFADIN, D/B/A TWO BAR WEST,

Petitioners,

v.

LYNN GERBER, D/B/A FOXY ROXY'S, D/B/A ETERNAL PERSPECTIVE HANDBAGS; WILLIAM GERBER, II, D/B/A FOXY ROXY'S, D/B/A ETERNAL PERSPECTIVE HANDBAGS; CONNIE GRENEMYER,

Respondents.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Fifth Circuit

RESPONDENT GRENEMYER'S BRIEF IN OPPOSITION

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COUNTERSTATEMENT OF QUESTIONS PRESENTED

1. Did the Fifth Circuit Court of Appeals correctly determine that the United States District Court for the Western District of Texas lacks personal jurisdiction over Respondent Connie Grenemyer?

2. Were the Petitioners entitled to conduct jurisdictional discovery before the district court determined the issue of personal jurisdiction?

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COUNTERSTATEMENT OF THE CASE

Respondent, Connie Grenemyer ("Grenemyer"), takes no issue with Petitioners' statement of the case as it pertains to the procedural history of the proceedings below. Petitioners' statement, however, distorts certain facts that are material to the consideration of the jurisdictional questions presented. Accordingly, Grenemyer re-summarizes the facts based on the findings of the lower courts.

Grenemyer is a resident and citizen of Colorado who is self-employed as an independent wholesale sales representative. (App. 2a).[1] She operates her business out of a showroom at the Denver Merchandise Mart in Denver, Colorado, where she displays and represents merchandise of various designers and manufacturers of women's accessories. (App. 2a-3a, 22a). Grenemyer has always limited her sales-representation territory to states within the Rocky Mountain region, (App. 2a, 9a-10a), traveling at times outside of Colorado to retail stores and wholesale markets in Arizona, Idaho, Montana, New Mexico, Utah, and Wyoming. (App. 2a-3a).

Grenemyer has never traveled to Texas to conduct business or for any other purpose. (App. 3a,

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[1] The lower courts' opinions are included in Petitioners' Appendix ("App."). For clarity and consistency, all citations to the Fifth Circuit's opinion below will be to the Appendix instead of the official publication at *McFadin v. Gerber*, 587 F.3d 753 (5th Cir. 2009).

9a-10a). In fact, she became Petitioners' sales representative without visiting or even contacting them in Texas. Instead, Petitioners' former Colorado sales representative passed on the relationship to Grenemyer in Colorado. (App. 3a). Subsequently, the Petitioners traveled to Denver to formalize their relationship with Grenemyer for the purpose of expanding markets for their handbags outside of Texas. (App. 3a, 9a).

Pursuant to their agreement, Petitioners provided Grenemyer with samples of their Two Bar West handbags for her to display in her showroom and on her sales trips within her Rocky Mountain territory. Grenemyer took the orders of retailers who visited her showroom in Denver or whom she encountered during her regional sales trips. After sending orders to the Petitioners, her involvement with the orders ended. The Petitioners processed the orders and shipped the merchandise directly to the retailers. (App. 3a).

The Petitioners paid Grenemyer a twelve-percent (12%) commission on all sales she made to retailers located within her Rocky Mountain territory. They paid her only a six-percent (6%) commission on sales made to retailers located outside of her territory, including any sales made to Texas retailers. Petitioners mailed Grenemyer's commission checks to her in Colorado. (App. 3a). Over the course of ten years, only about $40,000 of Grenemyer's orders (less than 4%) came from retailers based in Texas. Grenemyer, however, took none of those orders in Texas. Rather,

they resulted from Texas retailers contacting Grenemyer or traveling to her Colorado showroom or to one of the markets she attended within her territory. (App. 3a, 33a).

Petitioners traveled to Colorado in January 2008 and terminated their relationship with Grenemyer at the Denver Merchandise Mart. (App. 3a). As a result, a dispute arose over commissions that Grenemyer claimed Petitioners still owed, and she refused to relinquish Petitioners' samples until the dispute could be resolved. (App. 3a-4a). This dispute formed the basis for Petitioners' claims that Grenemyer breached their contract and converted their samples. (App. 4a, 32a).

Following her termination, Lynn and William Gerber ("the Gerbers"), who manufacture buffalo handbags under the name Eternal Perspectives, hired Grenemyer to represent their product line. (App. 4a-5a). Grenemyer, however, does not manufacture the Gerbers' Eternal Perspective products. (App. 35a). Even though the Gerbers posted photographs of their products and contact information on their websites, including Grenemyer as their sales representative, (App. 5a), Grenemyer used no website to sell the Gerbers' products or the products of her other clients, (App. 3a). Any Eternal Perspective sales that Grenemyer made were the result of retailers contacting or visiting Grenemyer at her showroom in Colorado or at a market or show within Grenemyer's Rocky Mountain territory. (App. 5a). In fact, she only sold Eternal Perspective products to buyers in Colorado,

Montana, Wyoming, Arizona, and New Mexico. (App. 39a).

Jason Brockman ("Brockman"), who was also an independent wholesale sales representative – completely separate and distinct from Grenemyer, (App. 11a, 37a) – arranged to attend a merchandise show at the Dallas Market Center in Dallas, Texas in March 2008. (App. 5a, 37a). Because Grenemyer never attends the Dallas show, she allowed Brockman, at his request, to take samples of some of the merchandise she regularly represented, including samples of the Gerbers' Eternal Perspective line, to display at the show. She did not direct Brockman to attend the show, (App. 11a-12a, 37a), nor did she pay for or contribute to the costs of his trip, (App. 5a, 37a). On occasion, Brockman and Grenemyer would act as sub-representatives at shows the other did not attend. In such cases (and in the case of the Dallas show), the sub-representative (Brockman) would receive a ten-percent (10%) commission on any sales, while the main representative (Grenemyer) received a gratuitous two-percent (2%) over-ride commission. (App. 5a-6a, 12a). Of the orders for Eternal Perspective handbags that Brockman wrote as a result of the Dallas show, only six of them were to Texas-based retailers, and none of them were large enough to be considered new accounts. (App. 6a). The Gerbers, not Grenemyer, filled the orders, (App. 12a), and paid Brockman directly for the commissions he earned from the Dallas show. (App. 6a). The Fifth Circuit

specifically found that Brockman was not acting as Grenemyer's agent. (App. 11a n.27).

REASONS FOR DENYING THE WRIT

Supreme Court review on a writ of certiorari is wholly discretionary – to be granted for only the most compelling reasons. Sup. Ct. R. 10. While conflicting decisions between two or more circuit courts of appeal on the "same important matter" represent one type of situation that this Court may consider, Supreme Court review and intervention nevertheless remains soundly within the Court's discretion. *See* Sup. Ct. R. 10(a). Moreover, "[a] petition for a writ of certiorari is rarely granted when the asserted error consists of erroneous factual findings or the misapplication of a properly stated rule of law." Sup. Ct. R. 10.

Petitioners argue that a split exists among the circuit courts on the meaning and application of the "effects test" announced in *Calder v. Jones*, 465 U.S. 783 (1984), for tort-based personal jurisdiction. (*See* Pet. 12-22). They also seem to suggest, without showing, that there are other circuit splits involving the rule from *Burger King Corp. v. Rudzewicz*, 471 U.S. 462 (1985), and contract-based personal jurisdiction. (*See* Pet. 23-27).

There are no compelling reasons, however, for granting certiorari in this case. As revealed in turn below, different factual circumstances primarily account for different outcomes among the various

circuit courts that have applied the *Calder* "effects test." Variations among the circuits in interpreting *Calder*'s breadth do not signal the kind of circuit split, if any, to warrant this Court's intervention. Given the facts of this case, the Fifth Circuit's determination that the district court in Texas lacked personal jurisdiction over Grenemyer is correct. Even if the Fifth Circuit somehow misapplied applicable jurisdictional principles, any such error is harmless because the court's ultimate conclusion is also supported on reasonableness and fairness grounds.

I. Any perceived "split" among the circuit courts in the application of *Calder* is the result of factual variation.

A. The analysis for personal jurisdiction is highly fact-specific.

In discussing the fact-driven nature of the minimum contacts analysis, the Second Circuit observed, "There is no talismanic significance to any one contact or set of contacts that a defendant may have with a forum state; courts should assess the defendant's contacts as a whole." *Metropolitan Life Insurance Co. v. Robertson-CECO Corp.*, 84 F.3d 560, 570 (2d Cir.), *cert. denied*, 519 U.S. 1006 (1996). Indeed, as this Court's jurisprudence on personal jurisdiction has developed over the years, one principle has remained constant: the inquiry into personal jurisdiction turns entirely on the facts and context of each case. *See, e.g., International Shoe Co. v. Washington*, 326 U.S. 310, 319-20 (1945) (rejecting "mechanical or

quantitative" tests and analyzing defendant's connections to the state for unemployment tax purposes); *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 295-97 (1980) (analyzing defendants' lack of connections to Oklahoma and stating that the critical foreseeability analysis is that "the defendant's conduct and connection with the forum State are such that he should reasonably anticipate being haled into court there"); *Calder*, 465 U.S. at 788-89 (reciting that in determining minimum contacts, "a court properly focuses on 'the relationship among the defendant, the forum, and the litigation'" and analyzing defendants' activities directed at California); *Burger King*, 471 U.S. at 485-86 (again rejecting "talismanic jurisdictional formulas" and recognizing the necessity of weighing the facts of each case); *Asahi Metal Industries Co., Ltd. v. Superior Court of California*, 480 U.S. 102, 113-14 (1987) (applying the due process reasonableness factors to the facts).

B. There is no conflict or "split" as to the applicable law.

With respect to *Calder*, the Fifth Circuit stated that "the effects doctrine is not as expansive as the McFadins argue." (App. 11a). Specific acts must be directed at the forum – not simply foreseeable injury. (*Id.*). Thus, the Fifth Circuit took a more restrictive approach to *Calder*'s effects test.

While different courts will always interpret various legal rules and principles differently – some

more broadly or narrowly than others – such differences do not constitute a split or conflict. For example, this case does not present a situation in which one court has upheld a statute or regulation while another court has invalidated it. *See, e.g., Bingler v. Johnson*, 394 U.S. 741, 747-48 (1969) (noting that certiorari was granted to resolve a conflict among the circuits concerning the validity of a Treasury Department regulation). More to the point here, no circuit has rejected *Calder* as being bad law while other circuits continue to apply it. In fact, the Fifth Circuit quoted *Wien Air Alaska, Inc. v. Brandt*, 195 F.3d 208, 212 (5th Cir. 1999), as support for its restrictive application of *Calder*. (App. 11a n.26). Irrespective of the limitation in *Wien Air*, the facts of the case revealed that the defendant had directed specific acts at Texas, thereby supporting the assertion of personal jurisdiction over him. *See* 195 F.3d at 212-14. Thus, the facts determined the jurisdictional outcome. *See id.*

Petitioners boldly assert that the Seventh, Ninth, Tenth, or Eleventh Circuit Courts would have reached a different result than the Fifth Circuit. (Pet. 15). This assertion is irrelevant not only because it is impossible to test, but also because at least one or more of the facts and circumstances in the cases cited by the Petitioner involved directed activities supporting the exercise of personal jurisdiction over the defendants. In other words, the varying outcomes are the result of varying facts.

1. Seventh Circuit

In *Indianapolis Colts, Inc. v. National Football League Properties, Inc.*, 34 F.3d 412 (7th Cir. 1994), the infringement claims involved two national football teams, the Indianapolis Colts and the Baltimore Colts, who shared identical team mascot names – the Colts. *See id.* at 411. In determining that jurisdiction over the Baltimore Colts was proper, the Seventh Circuit recognized that in *Calder* and other cases asserting jurisdiction in intellectual property matters, "the defendant had done more than brought about an injury to an interest located in a particular state. The defendant had also 'entered' the state in some fashion. . . ." *Id.* at 412. The court found that the nationwide broadcast of the Baltimore Colts' games constituted the necessary entry into the forum. *See id.* at 411-12.

Connie Grenemyer, by contrast, never physically entered Texas, nor did she direct the sale of any allegedly infringing handbags or any other activity into Texas. (App. 11a). She also limited her sales activities to Colorado and her Rocky Mountain territory. (App. 2a, 9a-10a). Thus, she did not engage in sales activities purposefully designed to target the entire nation, much less Texas.

Petitioners also ascribe importance to the outcome in *Janmark, Inc. v. Reidy*, 132 F.3d 1200 (7th Cir. 1997). (*See* Pet. 16-17). The critical fact in this case was not unspecified injury to the plaintiff in Illinois over the infringement dispute. Rather, it was

the fact that the defendant threatened one of plaintiff's customers with legal action, causing the customer to cancel its order of plaintiff's product. Even though the customer was not located in Illinois, the defendant nevertheless accomplished its goal of reducing plaintiff's sales in Illinois – a very real and specific injury directed at the forum. *See also Dudnikov v. Chalk & Vermilion Fine Arts, Inc.*, 514 F.3d 1063, 1075 (10th Cir. 2008) (discussing a similar "bank shot" effect).

Petitioners here, however, never alleged or provided any facts showing a direct link between Grenemyer's allegedly infringing activities outside of Texas that resulted in any cancellations of their product orders or otherwise caused a diminution in their sales in Texas.

2. Ninth Circuit

Panavision International, L.P. v. Toeppen, 141 F.3d 1316 (9th Cir. 1998), involved the use and registration of plaintiff's trademarked name, "Panavision," as defendant's Internet domain name. *See id.* at 1319. In determining that personal jurisdiction in California over the defendant was appropriate, the Ninth Circuit found that the defendant had engaged in "something more"[7] than simply registering

[7] The Ninth Circuit relied on and distinguished the facts of its earlier decision, *Cybersell, Inc. v. Cybersell, Inc.*, 130 F.3d 414 (9th Cir. 1997), regarding the need for "something more" in the

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plaintiff's trademark as an Internet domain name. He had purposefully directed his conduct to California by attempting to extort money from plaintiff to release the domain name.[3] *See id.* at 1322. Even assuming that Petitioners' allegations of infringement were true, Grenemyer did not engage in "something more" than the alleged infringement itself.

Petitioners have argued that Brockman's attendance and sales made at the Dallas market suffice, but as both the district court and Fifth Circuit found, Grenemyer did not direct or control Brockman's activities in Texas. (App. 11a, 23a, 36a-38a).

3. Tenth Circuit

Petitioners cite *Dudnikov*, 514 F.3d 1063, as support for their contention that the Tenth Circuit would apply *Calder* more favorably to them. (*See* Pet. 17-18 n.68). In analyzing *Calder*, the Tenth Circuit noted that its holding "required more than an intentional action. It also stressed that the defendants' conduct was 'expressly aimed at [the forum].'"

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context of trademark infringement over the Internet. *See Panavision*, 141 F.3d at 1320-21.

[3] The *Panavision* defendant's registration of Internet domain names using well-known trademarks and his demands for payment to release the domain names were more than mere allegations. This was his business practice and the subject of another nearly identical lawsuit. *See Panavision*, 141 F.3d at 1325 (discussing *Intermatic Inc. v. Toeppen*, 947 F.Supp. 1227 (N.D.Ill. 1996)).

Dudnikov, 514 F.3d at 1074 (quoting *Calder*, 465 U.S. at 789). Even though the defendants acted to shut down plaintiffs' eBay auction by submitting a notice to eBay in California, the Tenth Circuit found that California was the "bank shot" by which plaintiffs' business in Colorado was the ultimate goal. *See* 514 F.3d at 1075. In other words, the defendants expressly aimed their conduct at Colorado by first deflecting it through California. *See id.* Again, Grenemyer aimed none of her conduct at Texas, either directly or indirectly. (App. 11a, 23a, 36a-38a).

With respect to the Petitioners' belief that their case would have been decided differently in the Tenth Circuit, it is worth noting that the Tenth Circuit, like the Fifth, takes a more restrictive approach to *Calder*, "holding that the forum state itself must be the 'focal point of the tort.'" *Dudnikov*, 514 F.3d at 1074 n.9 (quoting *Far West Capital, Inc. v. Towne*, 46 F.3d 1071, 1080 (10th Cir. 1995)). Additionally, the Tenth Circuit has reviewed *Calder* and cases from several circuits applying it, *see Far West*, 46 F.3d at 1077-79, and concluded:

> [T]he mere allegation that an out-of-state defendant has tortiously interfered with contractual rights or has committed other business torts that have allegedly injured a forum resident does not necessarily establish that the defendant possesses the constitutionally required minimum contacts. Instead . . . a court must undertake a *particularized inquiry* as to the extent to which the

> defendant has purposefully availed itself of the benefits of the forum's laws.

Id. at 1079 (emphasis added). Thus, the Tenth Circuit's restrictive interpretation of *Calder* is consistent with the majority of other circuit courts.[4] As such, the Petitioners' seem misguided in their confidence that the Tenth Circuit is among the "splitting" circuits that would have found in their favor.

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[4] The court in *Far West*, 46 F.3d at 1078-79, discussed intentional tort cases, where personal jurisdiction was lacking, from the Fifth, Sixth, and Seventh Circuit Courts: *Southmark Corp. v. Life Investors, Inc.*, 851 F.2d 763 (5th Cir. 1988) (tortious interference with contract and business relations); *Reynolds v. International Amateur Athletic Federation*, 23 F.3d 1110 (6th Cir.), *cert. denied*, 513 U.S. 962 (1994) (tortious interference with business relations); *Wallace v. Herron*, 778 F.2d 391 (7th Cir. 1985), *cert. denied*, 475 U.S. 1122 (1986) (malicious prosecution).

Since the *Far West* opinion was delivered, the First, Second, Third, Fourth, and Fifth Circuits have applied *Calder* to intentional tort cases without finding a basis for personal jurisdiction. *See, e.g., United States v. Swiss American Bank, Ltd.*, 274 F.3d 610 (1st Cir. 2001) (conversion); *Chaiken v. VV Publishing Corp.*, 119 F.3d 1018 (2d Cir. 1997), *cert. denied*, 522 U.S. 1149 (1998) (defamation); *Imo Industries, Inc. v. Kiekert AG*, 155 F.3d 254 (3rd Cir. 1998) (intentional business interference); *ALS Scan, Inc. v. Digital Service Consultants, Inc.*, 293 F.3d 707 (4th Cir. 2002), *cert. denied*, 537 U.S. 1105 (2003) (copyright infringement); *Allred v. Moore & Peterson*, 117 F.3d 278 (5th Cir. 1997), *cert. denied*, 522 U.S. 1048 (1998) (abuse of process and malicious prosecution).

4. Eleventh Circuit

Similarly, *Licciardello v. Lovelady*, 544 F.3d 1280 (11th Cir. 2008), involved critical facts not present in the Petitioners' case against Grenemyer. (*See* Pet. 17). The particular infringement in that case was the posting of a Florida musician's trademarked name and photograph on a website maintained by the musician's former manager. *See Licciardello*, 544 F.3d at 1282. Although the manager created the website in Tennessee where he lived, the website was accessible in Florida. *See id.* at 1283. The Eleventh Circuit found that the manager's purpose for posting the musician's name and likeness on the website was to make money on the implied endorsement of the musician. *See id.* at 1287-88. Importantly, however, the court strictly limited its holding to the specific facts before it:

> We hold only that where the internet is used as a vehicle for the deliberate, intentional misappropriation of a specific individual's trademarked name or likeness and that use is aimed at the victim's state of residence, the victim may hale the infringer into that state to obtain redress for the injury.

Id. at 1288 n.8.

Grenemyer, on the other hand, maintained no website on which to post, much less sell, any trademarked names or likenesses. (App. 3a).

C. The Fifth Circuit's interpretation of *Calder* is consistent with that of the clear majority of circuit courts.

In summary, these factually diverse cases do not signal a conflict as to the law or applicability of *Calder*. Even if they did, the Fifth Circuit's more restrictive application of *Calder* places it among the clear majority of circuit courts composed of at least the First, Second, Third, Fourth, Fifth, Sixth, and, as discussed above, the Seventh and Tenth.[5] Any irregularities or deviations in the application of *Calder* among the remaining circuits will likely be resolved over time. If not, a more compelling case for this Court's review should come from one of the minority circuits.

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[5] Petitioners do not cite or discuss any cases from the D.C. Circuit, and they cite only a single case from the Eighth Circuit, *Dakota Industries, Inc. v. Dakota Sportswear, Inc.*, 946 F.2d 1384 (8th Cir. 1991), without analyzing it. (Pet. 21 n.85). The Eighth Circuit found that asserting personal jurisdiction over the California defendant was proper because of a number of facts indicating that the defendant had prior knowledge that its trademark was infringing and that the defendant's infringing products were not only sold in South Dakota, but also that the defendant directly shipped them there. *See Dakota*, 946 F.3d at 1390. In the Eighth Circuit, like the others, different jurisdictional facts produce different jurisdictional results. *See, e.g., Coen v. Coen*, 509 F.3d 900, 906 (8th Cir. 2007), *cert. denied*, 128 S. Ct. 2949 (2008) (finding no personal jurisdiction over foreign defendants accused of fraud).

D. *Burger King*'s facts are distinguishable.

The different outcomes between this case and *Burger King*, 471 U.S. 462, are again the result of distinguishable facts and circumstances. First and foremost, the contract at issue in *Burger King* was an extensive franchise agreement that included a 20-year licensing and leasing agreement, *see id.* at 464, 480, not a mere sales representation commission agreement containing no similar terms. Furthermore, the defendant in *Burger King*, unlike Grenemyer, purposefully sought out and applied to the franchisor in Florida. *See id.* at 466, 479-80. The defendant was also required to make contractual payments to the franchisor in Florida. *See id.* at 465-66, 480. By contrast, Petitioners made contractual commission payments to Grenemyer in Colorado. (App. 3a). Finally, the contract in *Burger King* contained a Florida choice-of-law provision. *See* 471 U.S. at 466, 481. There has been no allegation that any such provision existed in Grenemyer's sales representation agreement with Petitioners. (*See* Pet. 2-3). Therefore, the Fifth Circuit's opinion does not represent a split in the application of *Burger King*, but rather a distinctive set of facts and circumstances.

II. Due Process concerns do not support the exercise of personal jurisdiction over Grenemyer in Texas courts.

The Fifth Circuit's opinion below is well-reasoned and demonstrates that, based on the undisputed facts

of this matter as applied to the specific jurisdiction analysis,[6] Connie Grenemyer lacks the minimum contacts with Texas necessary to require her to defend the Petitioners' claims there. (App. 1a-12a). Consistent with the Fifth Circuit's opinion are the district court's opinion, (App. 20a-23a), and the magistrate's Report and Recommendation, (App. 26a-40a).

If, however, there were some irregularity in the Fifth Circuit's minimum contacts analysis, the ultimate conclusion would be the same after analyzing the third prong of the specific jurisdiction inquiry – the fairness and reasonableness of exercising jurisdiction.[7] The "traditional notions of fair play and substantial justice" articulated in *International Shoe*, 326 U.S. at 316, were subsequently rearticulated in terms of five reasonableness factors: (1) the burden on the defendant in having to litigate in the forum, (2) the forum's interest in adjudicating the dispute; (3) the plaintiff's interest in obtaining convenient and effective relief, (4) the interstate judicial system's interest in obtaining the most efficient resolution of

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[6] As the Fifth Circuit noted, Petitioners acknowledged that only specific jurisdiction applies in this case. (App. 7a, 8a). The Fifth Circuit applied the three-step analysis for specific jurisdiction set forth in *Seiferth v. Helicopteros Atunero, Inc.*, 472 F.3d 266, 271 (5th Cir. 2006): (1) whether the defendant has minimum contacts with the forum; (2) whether plaintiff's claims arise out of or result from the defendant's contacts with the forum; and (3) whether it is fair and reasonable to exercise personal jurisdiction over the defendant. (App. 7a n.9).

[7] *See supra* note 6.

controversies, and (5) the shared interest of the states in furthering substantive social policies. *World-Wide Volkswagen*, 444 U.S. at 292; *see also Asahi*, 480 U.S. at 113-14 (a majority of the Supreme Court joined in applying the reasonableness factors and finding that asserting jurisdiction over the defendant would be unreasonable).

Even though the Fifth Circuit did not reach the reasonableness factors as it concluded Grenemyer did not have the requisite minimum contacts, (App. 10a, 12a), the district court and magistrate judge did consider those factors for Petitioners' contract and tort claims. (App. 23a, 31a-34a, 38a-40a). With respect to the contract claim, the magistrate considered the following facts dispositive: Grenemyer refused to return Petitioners' sample bags in Colorado, (App. 32a); Petitioners initiated the sales representation agreement with Grenemyer in Colorado, (App. 32a); Petitioner Laurie McFadin attested that one of the main reasons for hiring Grenemyer as their sales agent was because she attended far-away trade shows outside of Texas, (App. 32a-33a); and the less-than 4% sales made to Texas buyers were the result of those buyers contacting Grenemyer within her Rocky Mountain sales territory, (App. 33a). With respect to the tort claims, the magistrate noted the thrust of the Petitioners' infringement claims – that Eternal Perspective is selling infringing handbags, not that those bags are being sold in Texas. (App. 39a). As for Grenemyer's involvement, she attested that her Eternal Perspective sales had been made only to buyers from

Colorado, Montana, Wyoming, Arizona and New Mexico. (App. 39a). After weighing these facts against the reasonableness factors, the magistrate concluded that the burden on Grenemyer in having to defend in Texas would be greater than the Petitioners' interest in litigating there. (App. 33a-34a). The district court agreed, noting that the alleged breach of contract did not occur in Texas, that Grenemyer directed none of her sales to Texas, and that only a handful of Eternal Perspective handbags were even sold in Texas. (App. 23a). Related to this conclusion was the fact that this case has more connections to Colorado than to Texas, including the fact that the Petitioners operate their own showroom at the Denver Merchandise Mart, (App. 34a), and that the Petitioners contracted with Grenemyer because she traveled to areas far outside of Texas, (App. 39a).

The personal jurisdiction analysis is concerned with due process and fairness to the nonresident defendant – not the plaintiff. The burden on the defendant is "always a primary concern. . . ." *World-Wide Volkswagen*, 444 U.S. at 292. Thus,

> Even if the defendant would suffer minimal or no inconvenience from being forced to litigate before the tribunals of another State; even if the forum State has a strong interest in applying its laws to the controversy; even if the forum State is the most convenient location for litigation, the Due Process Clause, acting as an instrument of interstate federalism, may sometimes act to divest the State of its power to render a valid judgment.

Id. at 294; *accord Burger King*, 471 U.S. 477-78 ("minimum requirements inherent in the concept of 'fair play and substantial justice' may defeat the reasonableness of jurisdiction even if the defendant has purposefully engaged in forum activities"); *Asahi*, 480 U.S. at 121 (Stevens, J., concurring) (arguing that where the exercise of jurisdiction would be unreasonable and unfair, the minimum contacts analysis is not required). Therefore, because it would be unfair and unreasonable to force Grenemyer to defend the claims in Texas, reversal or remand concerning any error in the Fifth Circuit's minimum contacts analysis is not warranted. The end-result would remain the same.

In addition to moving for dismissal for lack of personal jurisdiction at the district court level, Grenemyer also moved to transfer venue. (App. 6a, 28a). That motion, however, was denied as moot. (App. 24a). "[I]n certain cases, many of the inconveniences created by subjecting a nonresident defendant to the court's jurisdiction can be cured by a change of venue. . . ." *Metropolitan Life*, 84 F.3d at 575. Thus, if the dismissal were reversed or vacated and remanded, Grenemyer would likely renew her motion for change of venue pursuant to 28 U.S.C. § 1404. A transfer of the case to Colorado is not only supported by the numerous and strong Colorado connections discussed above, but also by a lawsuit involving these same parties, pending in the United States District

Court for Colorado ("the Colorado case").[8] Grenemyer initiated the Colorado case to recover commissions she claims the Petitioners still owe her pursuant to Colorado's Wholesale Sales Representatives statute, Colo. Rev. Stat. § 12-66-101 *et seq.* (2009). The Colorado case already provides a proper venue and proceeding for the Petitioners to assert their claims against Grenemyer even with the dismissal of the instant matter. Likewise, it provides a basis for transfer to Colorado and consolidation in the event of a reversal or remand. For these reasons, granting certiorari to review or remand this case is not in the interest of the Supreme Court.

III. The Supreme Court's denial of certiorari in other similar cases reveals that the issues here are not compelling.

There have been several prior instances in which this Court has declined review of dismissals for lack of personal jurisdiction where intentional torts were alleged and *Calder* was analyzed. *See Stroman Realty, Inc. v. Wercinski*, 513 F.3d 476 (5th Cir.), *cert. denied*, 129 S. Ct. 63 (2008) (discriminatory constitutional violation); *Coen v. Coen*, 509 F.3d 900, 906 (8th Cir. 2007), *cert. denied*, 128 S. Ct. 2949 (2008) (fraud); *ALS Scan, Inc. v. Digital Serv. Consultants, Inc.*, 293

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[8] *See Grenemyer v. McFadin*, No. 08-cv-02156-MSK-CBS (D. Colo. filed Sept. 10, 2008). The Colorado case has been stayed pending the exhaustion of appeals in the instant matter.

F.3d 707 (4th Cir. 2002), *cert. denied*, 537 U.S. 1105 (2003) (infringement); *Chaiken v. VV Publishing Corp.*, 119 F.3d 1018 (2d Cir. 1997), *cert. denied*, 522 U.S. 1149 (1998) (defamation); *Allred v. Moore & Peterson*, 117 F.3d 278 (5th Cir. 1997), *cert. denied*, 522 U.S. 1048 (1998) (abuse of process and malicious prosecution); *Reynolds v. International Amateur Athletic Federation*, 23 F.3d 1110 (6th Cir.), *cert. denied*, 513 U.S. 962 (1994) (defamation and tortious interference with business relations); *Wallace v. Herron*, 778 F.2d 391 (7th Cir. 1985), *cert. denied*, 475 U.S. 1122 (1986) (malicious prosecution).

The case most factually analogous to the instant action is *ALS Scan*, 293 F.3d 707. A Maryland-based copyright owner of certain adult photographs sued a Georgia-based Internet Service Provider ("ISP") that provided bandwidth to a company that posted and sold the owner's photographs on the company's website. *See id.* at 709. The suit was brought in Maryland. *See id.* Applying a specific jurisdiction analysis, *see id.* at 711-12, the Fourth Circuit determined that the first two-prongs of the test (purposeful availment and relatedness of claims to contacts) were not met, and that personal jurisdiction over the defendant in Maryland was not proper, *see id.* at 714-15. The Fourth Circuit analogized contacts through electronic media to *Calder's* application of standard due process principles, holding that "specific jurisdiction in the Internet context may be based only on an out-of-state person's Internet activity directed at [the forum state]

and causing injury that gives rise to a potential claim cognizable in [the forum]." *Id.* at 714.

Even though the instant case does not involve any Internet activity, other than the fact that the Gerbers had a website that allegedly named Grenemyer as their Eternal Perspective sales representative, (App. 3a, 5a), it is nevertheless factually similar to *ALS Scan*. Petitioners claim to own trademarked handbags. Grenemyer made it possible for potential buyers to view and purchase Eternal Perspective handbags at her Denver showroom or other trade shows within her territory. Texas buyers, however, could not purchase any Eternal Perspective products from Grenemyer in Texas; they had to make contact with Grenemyer at her Denver, Colorado showroom or at one of the trade shows she attended in her territory. Grenemyer did not target Texas for sales or otherwise direct her sales into Texas.

The instant case falls into the same category of similar prior cases that the Supreme Court declined to review. As such, it does not implicate any compelling reason for review, and the Supreme Court should deny certiorari in this matter.

IV. Whether to allow jurisdictional discovery is a discretionary matter.

Petitioners also seek this Court's review of the district court's denial of their request for jurisdictional discovery. (Pet. 27-29). The district court denied the requested discovery, (App. 23a-24a), based on the

magistrate's conclusion that there were no material issues of fact to warrant the discovery, (App. 39a-40a).

District courts have broad discretion as to whether to allow jurisdictional discovery. *See Wyatt v. Kaplan*, 686 F.2d 276, 283 (5th Cir. 1981); *accord United States v. Swiss American Bank, Ltd.*, 274 F.3d 610, 625-26 (1st Cir. 2001). Jurisdictional discovery is only warranted where there are issues of fact. *See Wyatt*, 686 F.2d at 284. Discovery orders on such matters will not be disturbed absent a clear abuse of discretion, *see id.* at 283, and plain error, *see Swiss American*, 274 F.3d at 626. Thus, no automatic entitlement to such discovery exists.

The Fifth Circuit's opinion in *Walk Haydel & Associates, Inc. v. Coastal Power Production Co.*, 517 F.3d 235 (5th Cir. 2008), provides no support for Petitioners' position. The district court in *Walk Haydel* erred by granting only very limited jurisdictional discovery while simultaneously requiring the plaintiff to make out more than a prima facie case for jurisdiction. *See id.* at 242. *Williamson v. Tucker*, 645 F.2d 404 (5th Cir. 1981) is also inapposite. In *Williamson*, the issue of jurisdictional discovery related to the court's subject matter jurisdiction – not its personal jurisdiction over the defendant. *See id.* at 409, 413-14.

In any event, the lower court's discretionary decision not to allow for jurisdictional discovery in this case does not present a compelling reason to warrant this Court's review.

CONCLUSION

Because the Fifth Circuit correctly determined that Texas lacks personal jurisdiction over Respondent Connie Grenemyer in this case, and because no other compelling reasons exist to warrant this Court's intervention, Respondent respectfully requests the Petition for Writ of Certiorari be denied.

Respectfully submitted,

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(3)

SUPREME COURT, U.S.
AUG 24 2010

No. 09-1067

IN THE

Supreme Court of the United States

LAURIE D. MCFADIN, D/B/A TWO BAR WEST; STACY L. MCFADIN, D/B/A TWO BAR WEST

v.

LYNN GERBER, D/B/A FOXY ROXY'S, D/B/A ETERNAL PERSPECTIVE HANDBAGS; WILLIAM GERBER, II, D/B/A FOXY ROXY'S, D/B/A ETERNAL PERSPECTIVE HANDBAGS; CONNIE GRENEMYER

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

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I. There is a Recognized Circuit Split Regarding the Application of the Calder "Effects" Test

Despite contrary opinions from the United States courts of appeal, Respondent's brief alleges that there is no circuit split in the instant case. Respondent's assertion is directly contradicted by cases from several circuits which expressly acknowledge the split.[1] For example, in *United States v. Swiss American Bank, Ltd.*, the First Circuit noted that "several circuits do not appear to agree as to how to read *Calder*."[2]

The split is also evident from recent rulings of the United States courts of appeal. The circuits do not agree whether, at a minimum, harm needs to be aimed at the forum itself or simply at a known forum resident. For example, in *Brayton Purcell LLP v. Recordon & Recordon*,[3] the Ninth Circuit considered a case of "willful copyright infringement targeted at [plaintiff], which [defendant] knew to be a resident of the Forum."[4] Despite the fact that the defendant did no business in the plaintiff's forum, the Ninth Circuit held that the plaintiff had "satisfied the 'purposeful

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1 *See Revell v. Lidov*, 317 F.3d 467, 473 n.41 (5th Cir. 2002); *United States v. Swiss Am. Bank, Ltd.*, 274 F.3d 610, 624 n.7 (1st Cir. 2001); *Imo Indus., Inc. v. Kiekert AG*, 155 F.3d 254, 261-264 (3d Cir. 1998); *Silver v. Brown*, No. 10-2005, 2010 U.S. App. LEXIS 12090, at *21 (10th Cir. June 14, 2010).

2 *Swiss Am. Bank*, 274 F.3d at 624 n.7.

3 606 F.3d 1124 (9th Cir. 2010). While *Recordon* was a dispute between two California residents, the defendant's venue argument required a personal jurisdiction analysis among the different California venues. *Id.* at 5 n.3.

4 *Id.* at 10.

direction' prong for specific personal jurisdiction" by causing harm to the known forum resident.[5]

The Tenth Circuit reached a similar conclusion in *Arocho v. Nafziger*.[6] *Arocho* involved a complaint brought by a Colorado prisoner who claimed the Washington DC based Federal Bureau of Prisons Director, Harley G. Lappin, had violated his civil rights by refusing to authorize a recommended treatment for Hepatitis C.[7] Despite no harm aimed specifically at the state of Colorado, the court based the requisite "purposeful direction" on Lappin's knowledge that "the brunt of the injury would be felt in Colorado."[8]

Conversely, in the case at bar, the Fifth Circuit denied personal jurisdiction on the basis that "'[f]orseeable injury alone is not sufficient to confer specific jurisdiction.'"[9] Thus, despite the fact that Grenemyer knew of the Plaintiffs' Texas residence and knew that Plaintiffs would suffer injury in Texas, the Fifth Circuit held that the exercise of personal jurisdiction was inappropriate because "the actions of selling allegedly infringing handbags are not directed toward Texas in any manner."[10]

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5 *Id.* at 12, 17.

6 No. 09-1095, 2010 U.S. App. LEXIS 4200, at *18-*19 (10th Cir. Mar. 1, 2010).

7 *Id.* at *1-*2, *7.

8 *Id.* at *18.

9 *McFadin v. Gerber*, 587 F.3d 753, 762 (5th Cir. 2009)(App. 11a)(quoting *Wein Air Ak., Inc. v. Brandt*, 195 F.3d 208, 212 (5th Cir. 1999)).

10 *Id.* at 761-62. *See also, Clemens v. McNamee*, No. 09-20625, 2010 U.S. App. LEXIS 16718, at *13-*34 (5th Cir. Aug. 12, 2010).

The "forum-focused" approach followed by the Fifth Circuit in the instant case can be traced back to the Third Circuit case of *Imo Industries, Inc. v. Kiekert AG.*[11] *Imo* first set forth the explicit requirement that a defendant "expressly aim[] his tortious conduct at the forum such that the forum can be said to be the focal point of the tortious activity."[12] The *Imo* approach has been followed by the First,[13] Fourth,[14] Sixth[15] and recently Eighth[16] Circuits. Some state courts have also adopted a geographical targeting test.[17]

Viewing the requirements of the different circuits side-by-side, the circuit split is evident. The broad position expressed in *Janmark Inc. v. Reidy,*[18] that "there can be no serious doubt after *Calder* that the state in which the victim of a tort suffers the injury may entertain a suit against the accused tortfeasor"[19] cannot be reconciled with *Imo*'s limited reading of *Calder*. Based on this deeply entrenched circuit split, this issue is ripe for Supreme Court review.

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11 155 F.3d 254 (3d Cir. 1998).

12 *Id.* at 265-66.

13 *Swiss Am. Bank, Ltd.*, 274 F.3d at 624.

14 *Carefirst of Md., Inc. v. Carefirst Pregnancy Ctrs., Inc.*, 334 F.3d 390, 398 n.7 (4th Cir. 2003)(quoting the three-part standard set forth in *Imo*, 155 F.3d at 265-66).

15 *Reynolds v. Int'l Amateur Athletic Fed'n*, 23 F.3d 1110, 1120 (6th Cir. 1994).

16 *Johnson v. Arden*, ___ F.3d ___, No. 09-2601, 2010 U.S. App. LEXIS 16116, at *30 (8th Cir. Aug. 4, 2010)("We therefore construe the *Calder* effects test narrowly, and hold that, absent additional contacts, mere effects in the forum state are insufficient to confer personal jurisdiction.").

17 *See Also, Griffis v. Luban*, 646 N.W.2d 527, 535 n.3 (Minn. 2002); *Pavlovich v. Super. Ct.*, 58 P.3d 2, 8 10, 8 n.1 (Cal. 2002).

18 132 F.3d 1200 (7th Cir. 1997).

19 *Id.* at 1202.

II. Respondent Improperly Attempts to Limit the Scope of Supreme Court Rule 10

Supreme Court Rule 10 sets forth the "character of the reasons the Court considers" in determining whether to grant certiorari. Specifically, Rule 10(a) provides that the Court will consider whether "a United States court of appeals has entered a decision in conflict with the decision of another United States court of appeals on the same important matter."[20] Rule 10(a) is the source of the so-called "circuit split" basis for granting certiorari.

Additionally, Rule 10(c) provides that the Court will consider certiorari where "a United States court of appeals has decided an important question of federal law that has not been, but should be, settled by this Court, or has decided an important federal question in a way that conflicts with relevant decisions of this Court."[21] Rule 10(c) is the source of the "important federal question" basis for granting certiorari.

Neither the "circuit split" nor the "important federal question" bases for certiorari are exclusive. Rule 10 also provides that the reasons listed for granting certiorari are "neither controlling nor fully measuring the Court's discretion."[22]

Nevertheless, Respondent's brief attempts to limit the scope of Supreme Court Rule 10 by claiming that it does *not* constitute a circuit split or conflict when

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20 SUP. CT. R. 10
21 *Id.*
22 *Id.*

"different courts . . . interpret various legal rules and principles differently."[23] Respondent has no basis for this limited interpretation of Rule 10.

Moreover, Respondent ignores Rule 10(c) which provides that the Court may grant certiorari to address an important federal question. Considering the number of cases regarding personal jurisdiction that the Court has considered throughout the years and the constitutional nature of the inquiry, personal jurisdiction is an important federal question.

III. Respondent's Attempt to Argue the Merits of the Case is Premature

The purpose of a brief in opposition to a petition for a writ of certiorari is to present arguments for denying the petition.[24] A brief in opposition is not the appropriate time to argue the merits of the case. Nevertheless, Respondent devotes a significant portion of her brief to rehashing the rulings below of the Fifth Circuit, district court, and magistrate judge.[25] Respondent even goes so far as to address the issue of transfer of venue which was not at issue before the Fifth Circuit and could not possibly be addressed by this Court at any point.[26]

Petitioners are eager to address the merits of this case in light of Supreme Court precedent and personal jurisdiction jurisprudence of the courts of appeal. However, Petitioners recognize that the

23 Resp't's Br., pp. 7-8.
24 SUP. CT. R. 15.
25 Resp't's Br., pp. 16-21.
26 *Id.* at 20-21.

petition for a writ of certiorari is not the appropriate time or place for their merits-based arguments. Accordingly, Petitioners decline to respond to the merits-based arguments contained in Section II of the Respondent's brief in opposition because the arguments are not relevant to the petition before the Court.

Nevertheless, Petitioners take this opportunity to highlight how the Respondent's argument in Section II reveals the crux of Petitioners' argument that personal jurisdiction jurisprudence is outdated and convoluted in light of the recent developments to interstate electronic communications. Respondent's argument advances Petitioners' position by demonstrating that throughout her ten-year relationship with the Petitioners, Grenemyer was able to make over one million dollars ($1,000,000.00) in sales for Plaintiffs' Texas based company throughout the United States using electronic communications all from her limited geographic territory.

Interstate commerce has significantly evolved since the door-to-door-sales of *International Shoe Co. v. Washington*[27]—it is time that personal jurisdiction jurisprudence followed suit and recognized that the internet and other electronic communications have made it easier to meet due process requirements.

The Second Circuit has recently recognized the need for an "update" to personal jurisdiction jurisprudence "in the age of internet commerce."[28]

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27 326 U.S. 310 (1945).

28 *Chloe v. Queen Bee of Beverly Hills, LLC*, ___ F.3d ___, No. 09 3361-cv, 2010 U.S. App. LEXIS 16192 at *12 (Aug. 5, 2010).

Holding that "the single act of an out-of-state defendant employee shipping an item into New York, combined with his employer's extensive business activity involving New York, gives rise to personal jurisdiction over the employee."[29] Under Second Circuit law, personal jurisdiction exists whether or not the employee personally shipped the bag and whether or not the bag shipped was a counterfeit.[30] This August 2010, Second Circuit case casts even more doubt on the jurisprudence in other circuits limiting the exercise of personal jurisdiction even in cases where substantial contacts exist.

IV. The Supreme Court's Denial of Certiorari is not Precedential

"[I]t is axiomatic that denials of writs of certiorari have no precedential value."[31] Traditionally denied without any commentary, it is impossible to know the reasons for any particular denial of certiorari. Were one to speculate, any number of reasons could be the basis for a denial of a writ of certiorari. These reasons include "[n]arrowly technical reasons," such as a review sought to late or a premature appeal and "considerations of judicial policy," such as a cloudy record or an issue that is not yet ripe.[32] Indeed, "all that a denial of a petition for a writ of certiorari means is

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29 *Id.*

30 *Id.* at *14, *15 n.3.

31 *Stebbing v. Md.*, 469 U.S. 900, 907 (1984). *See Also Teague v. Lane*, 489 U.S. 288, 296 (1989)(quoting *Md. v. Baltimore Radio Show, Inc.*, 338 U.S. 912, 917 (1950))("The 'variety of considerations [that] underlie denials of the writ[]' counsels against according denials of certiorari any precedential value.").

32 *Baltimore Radio Show*, 338 U.S. at 917-18.

that fewer than four members of the Court thought that it should be granted."[23]

However, despite clear precedent precluding such an argument, Respondent attempts to ride on the coat-tails of other cases in which the Supreme Court has denied certiorari. It is impossible to speculate as to the Court's reasons for denying certiorari in prior cases. Moreover, given the judicial doctrine of ripeness, it is likely that most cases where certiorari is granted are preceded by a long line of similar cases where certiorari was denied.

V. Jurisdictional Discovery is an Important Tool when Jurisdictional Facts are Disputed

Ignoring the important constitutional implications, Respondent's brief implies that the lower court's denial of jurisdictional discovery and the Fifth Circuit's implicit refusal to review the issue is not a worthy of this Court's review because it was a "discretionary decision." Respondent's dismissive approach ignores Supreme Court precedent for reviewing discretionary lower court decisions for abuse of discretion, recent circuit court cases addressing the importance of jurisdictional discovery, and the implications which stem from a court's refusal to allow jurisdictional discovery where jurisdictional facts are in dispute.

The application of an abuse of discretion standard does not make a lower court's holding immune from review. Thus, while it is important to grant

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23 *Id.* at 919.

deference to the discretionary rulings of a lower court, such rulings "are not left to a trial court's 'inclination,' they are left to the court's 'judgment.'"[34] "[A] district court's exercise of discretion is to be judged [by] the 'interest of sound judicial administration.'"[35] Accordingly, the discretionary nature of a lower court's decision "hardly means that it is unfettered by meaningful standards or shielded from thorough appellate review."[36]

Applying the above standards, the Supreme Court has not shied from reviewing and reversing the decisions of lower courts for abuse of discretion. For example, in the last term, this Court found and reversed an abuse of discretion in *Monsanto Company v. Geertson Seed Farms*.[37] Many other cases before the Court have also led to reversal under the abuse of discretion standard.[38] Thus, Respondent's suggestion that a "discretionary decision . . . does not present a compelling reason to warrant this Court's review" is not supported.

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34 *Albemarle Paper Co. v. Moody*, 422 U.S. 405, 416 (1975)(quoting *United States v. Burr*, 25 F. Cas. 30, 35, F. Cas. No. 14692d (No. 14692d) (CC Va. 1807) (Marshall, C.J.)).

35 *Curtiss-Wright Corp. v. General Electric Co.*, 446 U.S. 1, 10 (1980) (quoting *Sears, Roebuck & Co. v. Mackey*, 351 U.S. 427, 437 (1956)).

36 *Albermarle*, 422 U.S. at 416.

37 130 S. Ct. 2743, 177 L. Ed. 2d 461, 481 (U.S. 2010).

38 *See, e.g., Dada v. Mukasey*, 554 U.S. 1, 128 S. Ct. 2307, 2320 (2008); *Winter v. Natural Res. Def. Council, Inc.*, 129 S. Ct. 365, 382 (U.S. 2008); *Ebay v. Mercexchange, LLC*, 547 U.S. 388, 394 (2006); *Foman v. Davis*, 371 U.S. 178, 182 (1962) (holding that the "outright refusal to grant . . . leave [to amend a complaint] without any justifying reason appearing for the denial is not an exercise of discretion; it is merely an abuse of that discretion . . . .").

The availability of jurisdictional discovery is an important constitutional issue. Whether or not a plaintiff is afforded the opportunity to discover jurisdictional facts before dismissal can be vital to the outcome of the jurisdictional question. In the instant case, the district court denied limited jurisdictional discovery[39] despite factual disputes which might have led to a different result.[40] Indeed, in noting a factual dispute, the magistrate report concluded that the district court did "not have to accept the McFadins' allegation that Grenemyer caused tortious injury in Texas as true where contradicted by Grenemyer's evidence."[41] Thus, the district court expressly recognized a factual dispute as to jurisdictional issues while at the same time denying jurisdictional discovery.

Nevertheless, the Fifth Circuit did not deign itself to rule on the issue of jurisdictional discovery despite briefing by the parties.[42] The Fifth Circuit's decision to ignore the properly preserved issue of jurisdictional discovery shows a disregard for the importance of the issue. However, other courts of appeal have recently addressed the importance of jurisdictional discovery—in some cases reversing district courts for abuse of discretion.[43] Accordingly,

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39 App. 23a.

40 App. 39a.

41 App. 39a.

42 *See McFadin*, 587 F.3d 753 (App. 1a) (containing no mention of jurisdictional discovery).

43 *See Patent Rights Prot. Group, LLC v. Video Gaming Tech., Inc.*, 603 F.3d 1364, 1372 (Fed. Cir. 2010)(finding that the "denial of [the plaintiff's] request for jurisdictional discovery resulted in actual and substantial prejudice to [the plaintiff]—premature dismissal of [the plaintiff's] suit—and therefore constituted an abuse of discretion"); *Pretka v. Kolter City Plaza II*, 608 F.3d 744

Petitioners pray this Court grant certiorari to set forth a clear standard as to the availability of jurisdictional discovery to resolve disputed jurisdictional facts.

CONCLUSION

For the reasons explained in this Reply and in their Petition for Writ of Certiorari, Petitioners pray this Court grant certiorari to review the holding of the Fifth Circuit. This case demonstrates how technology has evolved such that substantial electronic interstate commerce now takes place without leaving your home office or home. Engaging in interstate commerce relying solely on electronic communications such telephone, fax, teleconferencing and internet has become typical. The barriers to entry and burden of doing business nationwide have been radically reduced and the personal jurisdiction requirement of due process is easier to meet. This case provides a vehicle by which this Court can clarify issues of personal jurisdiction in light of the substantial developments in technology in the twenty-years since the Supreme Court has last issued a substantive ruling regarding personal jurisdiction and due process under the Constitution.

Respectfully submitted,

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(11th Cir. 2010)(Pryor, Concurring); *Twentieth Century Fox Int'l Corp. v. Scriba*, No. 08 56735, 2010 U.S. App. LEXIS 12797, at *4 *6 (9th Cir. June 22, 2010)(requiring "a more full and satisfactory showing of the facts . . . before the district court can adequately determine whether personal jurisdiction" exists").

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